

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

AFGHANISTAN: HELMAND-ARGHANDAB VALLEY AUTHORITY/
HELMAND-ARGHANDAB CONSTRUCTION UNIT

BEST AVAILABLE COPY

AID-ILC/P-156

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

UNCLASSIFIED

BEST AVAILABLE COPY

AID-DLC/P-456
March 14, 1967

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Afghanistan: Helmand-Arghandab Valley Authority/
Helmand-Arghandab Construction Unit

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$4,600,000 to the Royal Government of Afghanistan to finance the foreign exchange costs of rehabilitation presently inoperable earth-moving, construction, and related equipment; the procurement of new equipment, spare parts, materials, and supplies; and the furnishing of technical, supervisory and training services beginning in 1967 and ending in 1969 for the Helmand and Arghandab Valley Authority (HAVA) and the Helmand and Arghandab Construction Unit (HACU) for use in a land betterment program in the Helmand-Arghandab Valley of Afghanistan.

This loan proposal is scheduled for consideration by the Development Loan Staff Committee at a meeting on Wednesday, March 22, 1967.

Rachel C. Rogers
Assistant Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
Annexes I-V

UNCLASSIFIED

AFGHANISTAN: HELMAND-ARGHANDAB VALLEY AUTHORITY/
HELMAND-ARGHANDAB CONSTRUCTION UNIT LOAN

<u>Table of Contents</u>		<u>Page</u>
SUMMARY AND RECOMMENDATIONS		i
MAPS		
I BRIEF PROJECT DESCRIPTION		1
II BACKGROUND		1
III BORROWER		5
IV DETAILED PROJECT DESCRIPTION		9
V PROJECT COSTS		22
VI ENGINEERING ANALYSIS		22
VII ECONOMIC ASPECTS		26
VIII FINANCIAL ASPECTS		29
IX CONDITIONS AND COVENANTS		30
X IMPLEMENTATION PLAN		31
XI DISBURSEMENT SCHEDULE		32
Annex I - HAVA Organization Chart & Charter of the HACU		
Annex II - Statutory Check List		
Annex III - Capital Assistance Loan Authorization		
Annex IV - (Draft) Loan Agreement		
Annex V - (Draft) Implementation Letter No. 1		

BEST AVAILABLE COPY

AFGHANISTAN

HELMAND-ARGHANDAB VALLEY AUTHORITY/
HELMAND-ARGHANDAB CONSTRUCTION UNIT LOAN

Summary and Recommendations

1. Borrower: The Borrower would be the Royal Government of Afghanistan (RGA) acting through the Ministry of Planning. The executing agency would be the Helmand-Arghandab Valley Authority (HAVA).
2. Amount of Loan : \$4.6 million.
3. Total Estimated Cost of Project. The total cost of the project is estimated at \$6.9 million of which \$4.6 million is the dollar cost to be provided by the AID loan and \$2.3 million is the dollar equivalent of the local currency and other dollars required for the project. The RGA will furnish, from its own resources, the afghanis, rupees, and any other foreign currencies required in addition to the proposed loan.
4. Purpose:
 - (a) To enable the HAVA to prepare final designs, plans and specifications for a land betterment program in the Helmand and Arghandab Valley of about 5,000 acres per year, to be based on feasibility studies and reports prepared by the Bureau of Reclamation;
 - (b) To equip the Helmand-Arghandab Construction Unit (HACU) to carry out the construction work specified in the plans and specifications prepared as above (a), at a rate of about 5,000 acres per year; and
 - (c) To develop the HACU into a viable institution capable of performing construction work needed for the development of the valley.
5. Background: The RGA has been engaged for a number of years in an extensive irrigation and land development program in the Helmand-Arghandab Valley in southwestern Afghanistan. The United States Government has provided \$57 million in loans and grants to assist the RGA to carry out the program. The irrigation works which have already been completed

consist of two storage reservoirs, a main canal system capable of delivering water to about 300,000 acres of land, and some main drains. Additional laterals and drains must be installed and suitable areas must be levelled and leached in order to increase the total amount of cultivable land under irrigation and to prevent the further waterlogging and salinization of some irrigated areas in the Valley. The project would enable the HACU to perform this kind of work on about 5,000 acres per year. The end result would be to increase agricultural output and preserve the present productivity of some of the irrigated land in the Helmand-Arghandab Valley.

6. Export-Import Bank Clearance: At a meeting of the Export-Import Bank/AID Coordinating Committee on April 15, 1966, the Bank's representative stated that the Bank was not interested in considering the application, on the assumption that the project would require concessionary terms beyond those appropriate for the Bank and that AID is prepared to consider extending such terms.
7. Mission Views: The Capital Assistance Paper was prepared by the Mission and reflects its views.
8. Statutory Criteria: The relevant statutory criteria have been met. See Annex II.
9. Issues: None.
10. Recommendation: Authorization of a loan in an amount not to exceed \$4,600,000 to the Royal Government of Afghanistan (RGA) acting through the Ministry of Planning on the following terms and conditions:
 - (a) The RGA to repay the loan to AID in U.S. dollars within 40 years from the date of the first disbursement under the loan, including a grace period of not to exceed 10 years from the date of the first disbursement. During the grace period the RGA to pay interest to AID in U.S. dollars at the rate of 1% per annum on all amounts of outstanding principal. From and after expiration of the grace period, the RGA to pay interest to AID in U.S. dollars at the rate of $2\frac{1}{2}\%$ per annum on all amounts of principal outstanding under the loan.

(b) All goods financed from the loan to be procured from and have their source and origin in the United States. Except as expressly approved by AID, all services financed from the loan to be procured from the United States.

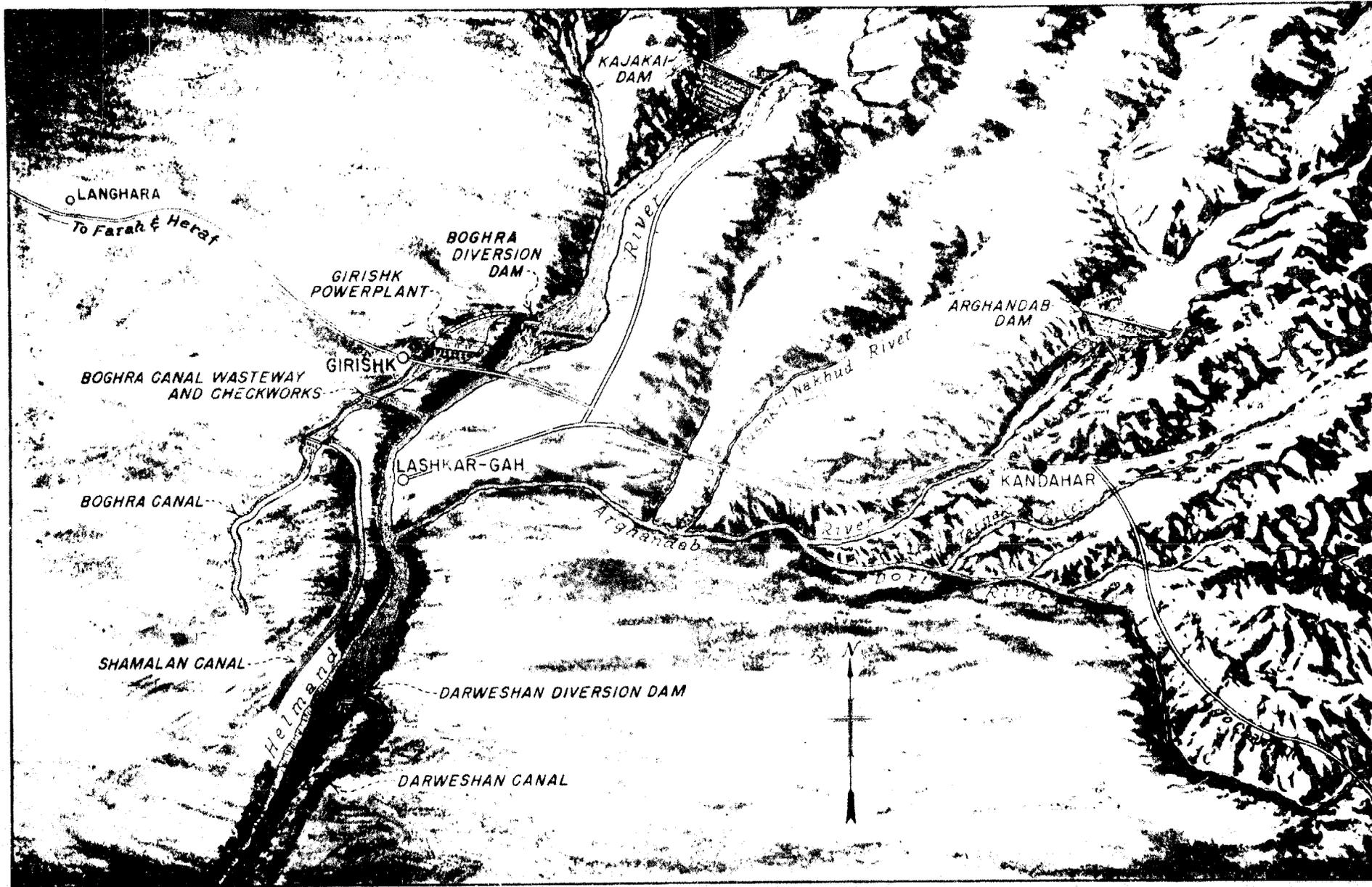
(c) The loan to be subject to such other terms and conditions as AID may deem necessary.

Capital Assistance Committee

	<u>At the Mission</u>	<u>At AID/W</u>
Loan Officer	R. Kanchuger	W. A. Underwood/ J. M. Adelman
Engineer	F. G. Whitaker	W. D. Romig
Counsel	R. Kanchuger	D. K. Harbinson
Desk	J. L. Crane	R. Pagan

Drafting Officers: Mission: Kanchuger, Whitaker, Crane
AID/W: Adelman, Underwood, Romig, Pagan

BEST AVAILABLE COPY



HELMAND VALLEY AREA

SOURCE:
UNITED STATES BUREAU OF RECLAMATION

I. BRIEF PROJECT DESCRIPTION

The project consists of the rehabilitation of inoperable earth-moving, construction, and related equipment; the procurement of new equipment, spare parts, materials and supplies; and the furnishing of technical, supervisory and training services over a two-year period beginning in 1967 and ending in 1969, in order to:

- (a) enable the HAVA to carry out a land betterment program on about 5,000 acres per year and related construction work in the Helmand-Arghandab Valley; and
- (b) develop the Helmand-Arghandab Construction Unit into a viable and efficient Afghan institution capable of performing a variety of construction services for the Helmand-Arghandab Valley Authority.

The dollar costs to be financed by the proposed loan are as follows:

	(\$000)
(a) Rehabilitation of old equipment	\$1,495
(b) Procurement of new equipment and spare parts	1,414
(c) Construction material and supplies	239
(d) Contingency on capital items (15%)	475
Total Capital items	<u>\$3,623</u>
(e) U.S. Employees for 2 year period:	
Eighteen employees	\$687
Seven employees (as necessary)	<u>270</u>
Total - Employees	<u>957</u>
Grand Total	\$4,580
Rounded to	\$4,600

II. BACKGROUND

A. General

The Helmand-Arghandab Valley Development Program consists primarily of irrigation, drainage, land levelling and flood control. It also includes the improvement of agricultural and marketing practices, credit facilities, education and health; the construction of electric power systems; and the development of small industries in the Valley.

B. Physical

The Helmand-Arghandab Valley with its numerous tributaries, located in the southwestern portion of Afghanistan, occupies nearly half of the total area of the country. (See maps of Afghanistan showing Helmand Valley Watershed following Summary and Recommendations). The Helmand River rises in a westerly extension of the Hindu Kush mountains west of Kabul and runs southwest for about 600 miles to an inland sink known as the Seistan or Chakhansur Basin, which straddles the border between Iran and Afghanistan. The Arghandab River, the chief tributary of the Helmand, passes within a few miles of Kandahar, the principal city in the Valley, and joins the main river some 250 miles above its outlet. Most of the flow in the rivers comes from melting snows in the high mountains, which rise to elevations as high as 20,000 feet.

The Valley is in the temperate zone between latitudes 30 degrees and 34 degrees north. Land elevations vary from about 1,500 feet above sea level in the Seistan Basin to about 3,000 feet at the base of the mountains surrounding the upper part of the Valley. Average yearly rainfall in the valley areas is about four inches, practically all of which occurs between January and May. Temperatures range from 18 to 110 Fahrenheit, with occasional lows of 6 to 10 degrees. Humidity is normally low, and strong dry winds frequently blow in the western part of the Valley during July and August. The wide, shallow wash, stemming from cloudburst run-off, is an ever present feature in the Valley area.

Little vegetation is to be found except in bottom lands along the river where irrigation is practiced or winter flooding occurs. Much of the area is desert, with the scant ground cover fully utilized by grazing livestock. The basin as a whole is similar in climate and appearance to the Mojave Desert in southeastern California or to the southern part of Arizona.

The Valley soils are principally alluvium or old river terrace soils, moderate to low in fertility and organic matter content. In benchland areas, the soil profile is frequently found to be thin and underlain by impermeable conglomerate. Waterlogging, with the consequent formation of saline or alkali soil areas, is a constant hazard and constitutes a prime problem in irrigation management.

The Helmand-Arghandab Valley may be reached by rail from Karachi in West Pakistan to Chaman near the Afghanistan border and then by an all-weather AID-financed road to Kandahar. An AID-financed paved all-weather road from Kabul to Kandahar is now completed. A Russian-financed concrete paved road going from Kandahar to Herat

and the northern provinces has recently been completed. The new Russian road will also connect with the planned AID-financed all-weather road from Herat to the Iranian border. Air service is available at the AID-financed Kandahar International Airport. Within the project area are 1,027 kilometers of gravel road, although many sections still need feeder roads.

C. Historical

There is evidence that many parts of the Valley were extensively cultivated 2,000 or more years ago and that successive hordes of invaders from the north and west destroyed large cities and major irrigation canals, rendering much of the area desolate. An exception is the area around Kandahar which has been continuously cultivated for a great many years.

The first major modern works for irrigation of Valley lands were started by the RGA in the late 1930's. This work was done with some German and Japanese help and was interrupted by World War II. After the delay caused by the war, the RGA reactivated the program and in 1946 employed Morrison-Knudsen Afghanistan (MKA), a subsidiary of Morrison-Knudsen Company, Inc., to undertake surveys and plans and commence construction. The contract with MKA provided for the reconstruction of the road from Kandahar to the Pakistan border and the reconstruction and extension of a major diversion canal from the Helmand River, known as the Boghra Canal, which had been started under the supervision of Japanese engineers in about 1937. This initial MKA work was financed entirely by the RGA with its own resources.

Two additional contracts were awarded to MKA, one in 1950 and the other in 1954. Under these contracts MKA constructed two storage dam and reservoirs, one on the Helmand River at Kajakai and the other on the Arghandab River north of Kandahar. The reservoirs, which have a combined storage capacity of nearly 2,000,000 acre feet, were constructed primarily for the purpose of storing flood run-off. Also included under these contracts were diversion dams and main canal systems capable of gravity delivery of irrigation water to about 300,000 acres of land. Some main drains were built by MKA under the assumption that the feeder and farm drains would be built by the Afghans. MKA built and installed the Girishk power plant at a drop in the Boghra Canal and installed related transmission lines. In addition MKA constructed roads throughout the project areas. The MKA contracts signed in 1950 and 1954 were financed in part by loans from the U.S. Export-Import Bank in amounts of \$21 million and \$18.5 million, respectively.

With the initial availability of completed canal systems in 1953 and at the request of the RGA, AID's predecessor agencies provided technical assistance for operation and maintenance of the canal

systems and for agricultural improvements on the newly irrigated lands. Upon the termination of the MKA contract in 1960, the RGA requested and AID provided a team of Bureau of Reclamation experts to assist with the necessary engineering for the design and construction of the infrastructure required to serve the available lands under gravity command of the existing canal system. In addition the Bureau of Reclamation team has assisted the RGA in developing operation and maintenance practices and policies enabling it to install and manage water delivery controls for efficient and dependable irrigation water deliveries. AID grant assistance to the Helmand-Arghandab Valley since the inception of the program in 1953 has been in excess of \$17 million. It is estimated that with the AID and Export-Import Bank assistance, the total investment that has been made in the Valley since the late 1930's comes to about \$115 million.

After the major irrigation facilities were completed, the RGA started a settlement program of the lands brought under water command. Many of the settlers placed on marginal benchlands were nomadic tribesmen with little or no experience in farming. This made it difficult for them to adjust. It was erroneously assumed that upon completion of the main canals and drains, the settlers would themselves construct the necessary laterals and field drains and do the needed land leveling. This did not take place. As a result of poor drainage, excess salts in the soil and poor farming practices, settlers in many cases were not able to farm even at subsistence levels and as a result many have left the Valley. It is clear now that the RGA chose some of the poorer lands in the project for its initial resettlement program. RGA interest in resettling nomads has in recent years abated and more attention is now being given to making land available to farmers from other sections of the country where there is a shortage of cultivable land.

In recent years some foreign assistance and interest other than American has been displayed in the Helmand Valley. The British have provided technical and financial assistance for the establishment of a cotton gin, which is now operating, and similar assistance for the establishment of a cottonseed oil extraction plant, which is now under construction. The Czechs have assisted in the establishment of a canning factory in Kandahar and the Russians have assisted in road development toward the northeast.

D. Present Plans

Although the development of the Helmand-Arghandab Valley was begun without U. S. assistance, the program has become identified with the United States through the use of an American contractor, the substantial Export-Import Bank loans, and AID grant assistance over the last decade. The success of the program is therefore related to American prestige in Afghanistan. Political overtones are also a factor in the RGA's involvement in the program because of its very substantial investment. Beyond the political interest of both governments in the success of

the program is the desire to benefit from the existing investment, obtain substantial increases in agricultural production, develop electric power, and encourage the development of industry. AID plans to render assistance to the RGA which would assist in increasing agricultural production in the Valley by 50% over the next ten years. This objective is related to the goal of a nationwide increase of 30% in agricultural production over the ten-year period 1966-76.

The assistance which AID is considering in support of the Helmand-Arghandab Valley Development Program, in addition to the proposed loan, includes the following principal elements:

(a) Economic and Management Advice. Continuation of Development Grant financing for overall economic planning and management advice being furnished by the J.G. White team.

(b) Agriculture. Continuation of the grant-financed agricultural technical assistance program, with particular emphasis on increasing the production of improved seed, improving irrigation practices and on developing sound agricultural credit facilities for the farmers in the Valley.

(c) Irrigation, Land Development and Reclamation. Continuation of grant-financed economic and technical feasibility studies by the Bureau of Reclamation group concerning the potential development of about 20,000 acres per year of land now under water command, and development loans for land betterment projects based on these feasibility studies with an overall goal of 50,000 acres developed by 1973.

(d) Electric Power. A possible development loan for the procurement and installation of hydroelectric generating facilities at the site of the Kajakai Dam on the Helmand River, construction of related transmission facilities, and a contract or contracts for engineering, management, operations and training services. Also, AID recently financed two diesel power units to service Kandahar.

III. BORROWER

The Borrower would be the Royal Government of Afghanistan (RGA) acting through the Minister of Planning. The implementing agency would be the Helmand-Arghandab Valley Authority. The Minister represents the Authority in the Council of Ministers. This arrangement is in accordance with the basic law on the organization of the RGA, enacted in August 1965, which provides that all RGA agencies shall be connected with a Ministry which will speak for them in the Council of Ministers and the Parliament.

The Helmand Valley Authority (HVA) was established in December 1952 for the purposes of operation and maintenance of the RGA's properties in and near the Helmand River drainage basin, land reclamation and settlement, flood control, and the development of agriculture, hydroelectric power and industry in the Helmand-Arghandab Valley. In 1965 the RGA re-organized the HVA into the Helmand Arghandab Valley Authority. At the same time the RGA created the Helmand Arghandab Construction Unit as one of six government enterprises reporting to RGA through the General President of HAVA. These enterprises are not a part of the organizational structure of HAVA, although they report to its General President. (See Annex I)

The HAVA reorganization went into effect with the new Afghan fiscal year beginning March 21, 1966. A chart of the new organization is shown in Annex I. The organization includes several features which have been recommended by USAID for a number of years. There will be one Vice President instead of three Vice Presidents in charge of departments. The Helmand and Arghandab Construction Unit (HACU) will report directly to the General President of the HAVA instead of being a sub-unit of the Technical Department. The HACU is a government enterprise with a single responsibility for construction. Four other functions were transferred out of HACU (a) project planning (feasibility studies) to a new planning division in the Technical Department, (b) engineering design and inspection to another new division in the Technical Department, (c) road maintenance to the Operation and Maintenance Division of the Technical Department, and (d) Girishk power operations to a new Power, Industry and Commerce Department. The latter department will also supervise various industrial activities such as the cotton gin, alabaster plant, and dairy which were established as government enterprises. The intent is to remove from HACU those functions that would not normally be in a construction or contracting organization.

The Afghan Construction Unit (ACU), predecessor to the HACU was established in April 1953 as the major design and construction unit of the HAVA with responsibility for completing the construction of canals, laterals, distribution and drainage systems required for maximum utilization of the water supply of the Helmand and Arghandab River systems.

Upon termination of the MKA contract in 1960 and with the advent of USAID financing, ACU retained a number of key MKA personnel (professionals as well as mechanics) to advise and assist it in carrying out its responsibilities. It also acquired most of the MKA construction equipment, stocks of spare parts, and supplies. With the top direction provided by a few professionally trained Afghans, and with the advice of foreign nationals, ACU operated until about 1964 at a fairly reasonable level of efficiency, considering the shortage of trained Afghan personnel, the lack of top-notch equipment, the long supply lines, and difficulties such as the closing of the Afghanistan-Pakistan border in 1962-63.

Although the construction of irrigation works has been the HACU's primary function, it has over the years performed a considerable amount of other work. This work has included road construction, maintenance and design; bridge design and maintenance; Bost sewer and water supply repairs and additions; and power plant repairs and operation.

In addition to the equipment, spares and parts acquired by HACU from MKA, HACU also took over the former MKA office buildings, shops, warehouses, barracks and residences. AID, through its grant program, has over the years financed the salaries of foreign technicians and certain commodities needed by the HACU.

The HACU's activities within the last two years have been seriously curtailed because of an inability to finance the services of a sufficient number of foreign technicians and the purchase of new equipment and supplies. The number of U.S. and third country national technicians has dropped from 60 in 1962 to less than 30 at the present time. Six of this number are now assigned to feasibility studies with the Bureau of Reclamation. HACU construction equipment is for the most part old and worn out and repairs are uncertain or impossible because of a lack of critical repair parts. As a consequence some construction operations have been shut down and those remaining, which require heavy equipment, are gradually slowing to a halt. During 1965 the HACU was involved in land development in the Darweshan area; road construction on the Kajakai road; structural work in the South Tarnak area; and building construction in Bost.

The HACU is headed by a talented, American-trained Afghan civil engineer. HACU operations are now divided into four major divisions: Equipment, Engineering, Construction and Administration. The four divisions of the HACU are headed by Afghan General Directors. Construction in the past was headed by an American, and there has been an American counterpart to the General Director of Engineering. Americans have occupied the key positions of Equipment Superintendent, Warehouse Superintendent, Master Mechanic and General Foreman. Two Italians have also occupied key positions in the Engineering, Development Planning, Accounting, Purchasing and Warehousing activities.

The HACU is generally recognized as one of the most effective government organizations in Afghanistan. Its top officials generally possess adequate technical background. Various aspects of its administration such as material and financial management are discussed below. The chief deficiency is the lack of experience in organizing and directing a smooth-running department, with insufficient delegation and co-ordination.

At the middle management and professional levels there is a shortage of trained Afghans in the HACU. In order to operate a construction job of any significant size professional and middle management jobs will probably have to be filled by foreign nationals for some time to come. At the sub-professional level there are a limited number of qualified Afghans who have the education, training and experience to

hold responsible jobs. At the mechanic or technicians level there are Afghans who can perform adequately with close supervision. Men of foreman caliber, however, are hard to train.

In view of the nature of the proposed loan, several areas of HACU operation should be singled out for comment:

(a) Procurement - The purchasing office is headed by an experienced Afghan who initially received training from MKA and received additional training in this field at Ohio State University and the U.S. Government's General Services Administration. An extremely capable third country national works in this office. The purchasing office has considerable experience in purchasing from U.S. sources with its own funds as well as AID-furnished grant funds. This office should have no difficulty with procurement under an AID-financed loan and in complying with AID procurement regulations.

(b) Warehousing - The HACU warehousing system was established by MKA and is now run by MKA-trained Afghan personnel. It has over \$2 million worth of spare parts and maintains accurate stock record cards. In general, this is a well-run warehouse, and very likely the best such warehouse in Afghanistan. It compares favorably with the better warehouses in some other NESAC countries such as India and Pakistan.

(c) Shops - The shops which were established by MKA are generally adequate and by and large adequately equipped. As noted above, there are Afghans who perform satisfactorily as mechanics and technicians when given close supervision.

(d) Accounting - An evaluation of the Accounting section of HACU is given in the "Financial" section of this paper.

(e) Training - HACU in the past has conducted formal classroom-type training, as well as on-the-job training. At the present time there is only on-the-job training. HACU's capacity for doing additional training without foreign assistance is limited.

The Mission believes that HACU can function as a reasonably effective construction unit in the Helmand-Arghandab Valley if the U. S. technical assistance, equipment, and supplies recommended for financing by the proposed AID loan are made available.

IV. DETAILED PROJECT DESCRIPTION

The project consists of four major components:

- A. Rehabilitation of inoperable equipment,
- B. Procurement of new equipment and spare parts,
- C. Services of from 18 to 25 U.S. technicians for a period of two years (1967-1969),
- D. Construction materials and supplies.

A. Rehabilitation of Inoperable Equipment

HACU's equipment, for the most part, dates back to the days of MKA in Afghanistan, the period between 1946 and 1960. A conservative estimate would be that the average age of the equipment is over ten years. The Bureau of Reclamation technicians who have worked closely with HACU equipment estimate that there are only nine pieces of equipment which can now be operated without rehabilitation.

The estimated dollar costs of the commodities required to rehabilitate HACU's inoperable equipment are shown below:

1. Components and spare parts	\$ 988,250
2. Tires and tubes	244,509
3. Materials used in rehabilitation	221,820
4. Generator and oxygen and acetylene plant parts, supplies and equipment	<u>40,000</u>
 Total, Equipment Rehabilitation	 \$ 1,494,579

1. Components and spare parts.

The rehabilitation figures in this section were prepared in late 1965 by the American AID-financed counterpart to the HACU Director General for Engineering. Line item prices for rehabilitating individual pieces of equipment were arrived at after considering the condition of each piece of equipment and assigning an estimate of the cost of rehabilitating it. The following estimates are the anticipated dollar costs of equipment components plus dollar freight costs. These costs are subject to change as rehabilitation progresses. Work sheets showing how these estimates were arrived at are available at HACU.

The items to be rehabilitated and the cost of the necessary components are as follows:

COMPONENTS USED IN REHABILITATING EQUIPMENT

<u>Quantity</u>	<u>Equipment to be rehabilitated</u>	<u>Estimated Average Unit Cost</u> ^{1/}	<u>Estimated Total Costs</u> ^{1/}
7	Caterpillar D-8 tractor	\$ 13,000	\$ 91,000
7	Caterpillar DW-15 tractor w/scraper	15,000	105,000
9	North West dragline, 2 $\frac{1}{2}$ yds, capacity	21,700	195,300
2	North West dragline, 1 $\frac{1}{2}$ yds, capacity	16,000	32,000
3	North West dragline, (1 cruiser, 2 crawlers)	10,000	30,000
4	Euclid bottom dump	8,000	32,000
4	Euclid rear dump	8,000	32,000
4	Caterpillar DW-15 tractor w/water tanker	15,000	60,000
3	Briscoe ditchers	4,000	12,000
8	Sheepsfoot roller	800	6,400
1	Aggregate plant	4,100	4,100
2	Ripper	1,000	2,000
1	Land plane	1,000	1,000
6	Concrete mixer 16s	1,500	9,000
5	Generators, 90-125 KW	3,500	17,500
8	Pumps, 6" to 8"	400	3,200
6	Cat grader, D-12	7,500	45,000
4	Compressor, 365 CFM	4,000	16,000
9	Pick-ups	700	6,300
4	Station wagons	700	2,800
6	Truck tractors	8,000	48,000
3	Flatbed truck, Mack	8,000	24,000
2	Cargo truck, Peterbuilt	8,000	16,000
	Sub-total		\$ 790,600
Lump Sum	Spare Parts (25%)		197,650
	Total		\$ 988,250

^{1/} Includes dollar freight costs.

2. Tires and Tubes

These items are needed to complete the rehabilitation of the wheeled equipment shown on page 10, above. The Mission's review of the list of commodities required for equipment rehabilitation indicated that the number of tires listed was justified and that the tire recapping equipment and supplies would be desirable to reduce HACU's operating costs.

L.S.	Tires and Tubes	\$153,758
L.S.	Parts and supplies for tire recap equipment	50,000
	Sub-total	<u>\$203,758</u>
L.S.	Dollar freight (20%)	<u>40,751</u>
	Total	\$244,509

3. Materials used in rehabilitation

The wire cable, welding supplies and small tools listed below is for rehabilitation of the equipment listed in paragraph A, 1 above.

MATERIAL USED IN REHABILITATION

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1.	4,800 ft.	Cable wire, 1-1/8"	\$ 1.50	\$ 7,200
2.	25,600 ft.	Cable wire, 3/4"	0.31	7,936
3.	24,800 ft.	Cable wire, 5/8"	0.18	4,464
4.	16,667 ft.	Cable wire, 7/8"	0.90	15,000
5.	24,000 ft.	Cable wire, 1/2"	0.14	3,360
6.	28,000 ft.	Cable wire, 9/16"	0.17	4,760
7.	9,600 ft.	Cable wire, 1"	1.30	12,480
8.	L.S.	Welding supplies	L.S.	20,000
9.	L.S.	Small tools	L.S.	<u>109,650</u>
	Sub-total			\$184,850
	Dollar freight (20%)			<u>36,970</u>
	Total			\$221,820

4. Generator and oxygen and acetylene plant parts, supplies and equipment.

These items are needed for the rehabilitation of generators and oxygen and acetylene plants owned by the HACU but not listed on page 10.

<u>Quantity</u>	<u>Description</u>	<u>Unit Cost</u>	<u>Estimated Total Cost</u>
Lump Sum	Parts for generators	Lump Sum	\$ 15,000
Lump Sum	Supplies and equipment for oxygen and acetylene plant	Lump Sum	<u>25,000</u>
	Total (cif, Karachi)		\$ 40,000

B. Procurement of New Equipment and Spare Parts

The need for the new equipment listed below was reviewed by the Bureau of Reclamation equipment and operations specialists in the Helmand-Arghandab Valley. These specialists also made a spot check of the cost estimates used by HACU and found them to be reasonable. The list is subject to adjustments at the time of procurement.

The loan application requests proprietary procurement of certain items of equipment where HACU desires to standardize and where there is a substantial amount of supply parts on hand, as is the case with Caterpillar equipment. HACU at the present time has an inventory of over \$2 million in spare parts. Although the parts inventory is large, it now lacks many critical items. Furthermore, many items in the inventory are no longer useful for the remaining equipment. HACU is currently selling salvagable material, obsolete equipment and parts, and the income from these sales is added to its working capital as a separate enterprise. HAVA will take care not to buy spares now in adequate supply.

Several of the items on the list of new equipment call for special comment:

1) Radios. In view of the size and spread of the Helmand Valley Development Program the request for six radio transmitter-receivers and twenty mobile radios is a prudent, cost-saving investment. Receivers will be located in the following six locations: Girishk, Kajakai, Arghandab, Darweshan, Chah-i-Anjir and Manzel Bagh. Without the radios, there would be much time lost and extra expense required in unnecessary vehicle trips and carrying of messages.

2) Passenger Vehicles. The loan application lists one bus and thirty-six pick-ups. While the latter will be used for many purposes, such as carrying tools and spares, they will also get considerable use as passenger carriers. The USAID has checked the probable organization and work of the HACU and concludes that the number of field foreman, supervisors and engineers, and the number of repair crews justifies an automotive fleet of the size planned. In fact, it appears that the fleet is probably small in comparison with an American construction outfit doing similar work. The bus will obviously be useful for moving large work crews. As with other procurement, the needs will be reviewed by the Bureau of Reclamation Project Manager before orders are placed.

BEST AVAILABLE COPY

NEW EQUIPMENT

<u>Quantity</u>		<u>Estimated Unit Cost</u>	<u>Estimated Total Costs</u>
5	Caterpillar D-8 Dozer, or equal, with Push Block	\$ 50,000	\$ 250,000
2	Payloader, 1½ cu. yd.	24,000	48,000
5	Caterpillar 619 Tractor, or equal with Scraper	47,000	235,000
1	Ditching machine, wheel type	27,000	27,000
3	Concrete mixer, 16s	4,500	13,500
3	Compressor, 600 CFM	9,500	28,500
3	Water pump, 6" complete with hoses and foot valves	2,300	6,900
3	Water pump, 4" complete with hoses and foot valves	1,400	4,200
3	Water pump, 2" complete with hoses and foot valves	600	1,800
2	Lowbed trailer, 75T	10,000	20,000
6	Jackhammer, heavy duty	400	2,400
10	Pneumatic tampers	350	3,500
6	Pavement breakers	200	1,200
2	Wagon drill	2,700	5,400
12	Vibrator 1-1/3; 2½", Pneumatic	450	5,400
7	Welding machine, electric driven, 400 Amp.	2,000	14,000
8	Welding machine, gas driven	1,600	12,800
2	Dump truck, 5 cu. yd.	8,400	16,800
7	Flat bed truck	5,500	38,500
2	Lubrication unit	9,000	18,000
1	Tank truck, fuel, 1200 gal. capacity	11,000	11,000
36	Pick-up, 1 ton	2,300	82,800
1	Passenger bus, 40 passenger capacity	10,000	10,000
1	Steam cleaner	1,000	1,000
1	Lathe 15' bed, 30" swing	15,000	15,000
6	Radio transmitter-receiver, 300 mi. range	5,000	30,000
8	Dragline buckets, 1-3/4; 2½ cu. yd.	5,600	44,800
20	Mobile radio	500	10,000
1	Oil centrifuge cleaner	1,500	1,500
	Sub-total		<u>\$ 959,000</u>
L.S.	Tires and tubes	L.S.	27,469
L.S.	Spare parts (20%)	L.S.	<u>191,800</u>
	Total		1,178,269
L.S.	Dollar Freight (20%)	L.S.	<u>235,654</u>
	Grand Total		<u>\$ 1,413,923</u>

C. Services of Foreign Personnel.

The number of foreign personnel to be financed by the proposed loan was originally determined by HAVA and HACU by examining the vacancies in the staffing pattern needed to carry out the land betterment programs in the Helmand and Arghandab Valley, after determining the positions filled, or which can reasonably be expected to be filled, by qualified Afghans. The loan application contemplated employment of U. S. and TCN technicians.

The loan application requested AID loan financing for 47 foreign personnel (18 Americans and 29TCNs). Prior to submitting its comments to AID/W in March 1966, the Mission and BuRec made a careful review of the HAVA and HACU manpower requirements, and concluded the job could be done with 37 foreign personnel (15 Americans and 22 TCNs). After AID/W review of the problems of dollar drain for loan financing of dollar costs for TCNs, the RGA was asked to finance employment of TCNs, using its own resources. The RGA agreed (but for fewer TCNs) and asked AID to provide under the loan the financing of the definite employment of 18 Americans plus that amount necessary to employ seven additional Americans, when and if required.

On the basis of their experience in employing TCNs over the life of the project, HAVA and HACU now consider the employment of twelve TCNs to be practical and feasible. These twelve TCNs have had from 5 to 15 years of experience on HAVA projects and are those most useful to HAVA and HACU. They are those most likely to accept employment on terms that RGA will authorize HAVA and HACU to offer. Their experience in Afghanistan will give them confidence in RGA employment and payment of salaries and allowances.

A table showing total personnel employed by HAVA and HACU on land betterment work during the period 1960-1966 is shown below:

Total employed as of 30 June each year

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>Proposed Loan</u>
Americans	4	12	13	8	7	7	3 ^{1/}	18-25 ^{2/}
TCNs	0	46	46	18	18	18	15 ^{1/}	12 ^{3/}
Afghans	1,120	2,187	1,922	1,605	1,762	1,663	1,224 ^{3/}	1,300 ^{3/}

1/ Grant financed by AID
2/ To be loan financed by AID
3/ To be financed by RGA

During the period 1960-1966 AID financed the dollar costs of the American and TCN employees of HAVA and HACU with Development Grant Funds. In the future, to the extent that AID continues to finance the services of foreign personnel for work on the land betterment programs in the Helmand Arghandab Valley, Development Loan funds will be used for financing American employees. RGA will finance its requirement for TCN employees working on these land betterment programs.

The HAVA and HACU requirement for foreign personnel changes with the situation at the time. In part it depends upon the progress in training Afghans. However, some of the trained personnel are drafted into the military service and some of these return later to the HACU and HAVA and are able to replace some of the foreign employees. This creates an ever changing situation. Similarly the work-load and type of work affects the situation.

Between the time this loan application was submitted, and the present, HAVA and HACU have undergone substantial re-organization and re-evaluation. During the joint HAVA-HACU-BuRec-USAID re-evaluation of the needs for foreign personnel in November 1966, it was apparent that HACU is now able to use Afghans as field and office supervisors to a greater extent than previously considered practical. Competent Afghan supervisors are now on the job in the following areas of the organization:

- (a) Warehouse
- (b) Light duty engine rebuilding shop
- (c) Welding shop
- (d) General, grade, and structure foremen.

HACU Management has undertaken improved managerial practices (with BuRec and White Team guidance and help), and now needs American technicians to carry out on-the-job training programs for (1) field work supervision, (2) administration and (3) the extensive mechanical operations involved in the major job of equipment rehabilitation and maintenance.

HAVA Engineering Division needs augmented American engineering help to upgrade its experience in handling (1) hydraulic and structural design practices, (2) construction contract formulation, and (3) construction contract administration. The latter involves the making of agreements for construction work performance, the inspection of work in progress, and the final acceptance and payment for work satisfactorily completed.

The HAVA Engineering Division will continue to need American engineers to supervise Afghan technicians in the preparation of final designs, plans and specifications for the work to be done by HACU. A significant transition is underway. In accordance with a long series of U.S. recommendations for improved engineering, contract administration and work performance acceptance practices beginning with the 1956 Tudor Report and the BuRec recommendations since 1960, the HAVA has separated

the engineering design, contract administration and work inspection and acceptance activities from the construction and actual work performance activities carried on by HACU.

The HAVA Engineering Division of the new Department of Engineering and Technical Services, will now prepare designs, plans and specifications for the work to be done. It will negotiate contracts and agreements for the work performance with HACU and others. It will then inspect the work performance of HACU and other contractors, and accept the work and authorize payment in the normal manner. In the past, HACU and its predecessor ACU, did all these things without a desired system of audits, and inspection of work quality.

Below is a detailed list of positions to be filled by American technicians and their respective salaries plus other allowances such as vacation pay, travel, etc.

American Technicians - Salaries and Expenses - U.S. Dollars
(Based on Two Year Contracts)

<u>Line</u>	<u>No.</u>	<u>Position</u>	<u>Monthly Rate</u>	<u>Total Salary</u>	<u>Other Costs^{1/}</u>	<u>Total Cost</u>
<u>Engineering Personnel</u>						
1	1	Chief Engineer	\$1,600	\$38,400	\$5,610	\$44,010
2	1	Field Engineer	1,400	33,600	5,210	38,810
3	1	Office Engineer	1,400	33,600	5,210	38,810
4	1	Design Engineer Hydr.	1,350	32,400	5,000	37,400
5	1	Construction Adm. Engr.	1,350	32,400	5,000	37,400
6	1	Quality Control Engr.	1,350	32,400	5,000	37,400
7	1	Design Engr. Structural	1,350	32,400	5,000	37,400
<u>Administration</u>						
8	1	Office Manager	1,350	32,400	5,000	37,400
<u>Shop Personnel</u>						
9	1	Equipment Supt.	1,450	34,800	5,200	40,000
10	1	Master Mechanic	1,300	31,200	5,010	36,210
11	1	Engine Rebuild Mech.	1,050	25,200	4,800	30,000
12	1	Heavy Duty Mech.	1,050	25,200	4,800	30,000
13	1	Heavy Duty Mech.(O&M)	1,050	25,200	4,800	30,000
14	1	Light Duty Mech.	1,050	25,200	4,800	30,000
15	1	Truck Mechanic	1,050	25,200	4,800	30,000
16	1	Crane & Shovel Mech.	1,050	25,200	4,800	30,000
17	1	General Electrician	1,050	25,200	4,800	30,000
18	1	Machinist	1,050	25,200	4,800	30,000
Sub-totals for 18				\$535,200	\$89,640	\$624,840

^{1/} Includes vacation pay equivalent to two months salary; mobilization and demobilization expenses such as plane fares, passport, medical expense, sea freight allowance, excess baggage allowance and per diem.

American Technicians - Salaries and Expenses - U.S. Dollars (cont'd)
 (Based on Two Year Contracts)

<u>Line</u>	<u>No.</u>	<u>Position</u>	<u>Monthly Rates</u>	<u>Total Salary</u>	<u>Other Costs^{1/}</u>	<u>Total Cost</u>
		Sub-totals for 18		\$535,200	\$89,640	\$624,840
		Other Costs for 18:				
		Insurance (\$2.76 per \$100 of Salary)				14,771
		Payroll charges				432
		Subsistence (\$3 per man day)				39,420
		Recruitment (\$400 x 18)				<u>7,200</u>
		Sub-total				\$ 61,823
		Total Costs for 18				\$686,663
<u>Contingent Personnel</u>						
19	1	General Supt.	1,600	38,400	5,610	44,010
20	1	Whse. Supv.	900	21,600	4,000	25,600
21	1	Design Engr. Hydr.	1,300	31,200	5,000	36,200
22	1	Office Engineer	1,200	28,800	4,900	33,700
23	1	Materials Engineer	1,200	28,800	4,900	33,700
24	1	Estimates Engineer	1,100	26,400	4,850	31,250
25	1	Doctor	1,500	<u>36,000</u>	<u>5,300</u>	<u>41,300</u>
		Sub-totals for 7:		\$211,200	\$ 34,560	\$ 245,760
		Other Costs for 7				
		Insurance (\$2.76 per \$100 of salary)				5,829
		Payroll charges				168
		Subsistence (\$3 per man day)				15,330
		Recruitment (\$400 x 7)				<u>2,800</u>
		Sub-total				\$ 24,127
		Total Costs for 7				\$269,887
		Total Costs for 25				\$956,550

Eighteen positions (lines 1 thru 18) are requirements established through the review of the staff by BuRec and the Mission. Salaries are based on past employment experience of American personnel by ACU.

^{1/} Includes vacation pay equivalent to two months salary; mobilization and demobilization expenses such as plane fares, passport, medical expense, sea freight allowance, excess baggage allowance and per diem.

The six positions classified as "Contingent Personnel" (lines 19 thru 24) are possible requirements as projected by BuRec, the Mission, and HAVA. The determination of whether any or all of these six positions should be filled with American personnel will depend on the feasibility studies now being prepared by BuRec, and further review of the capacities of the RGA to supply qualified personnel for these positions. It is contemplated that qualified personnel will be needed for these positions when design and construction of irrigation facilities, based on these feasibility studies, are undertaken.

Medical services of a doctor (line 25) are needed in the area, for the construction personnel and for Americans stationed in Bost. A hospital has been constructed and equipped but the services of a doctor are currently uncertain. If a doctor is not available from other sources (such as CARE-Medico or State Department), the HAVA proposal to obtain one under this loan appears reasonable.

The Afghani and Pakistan rupee costs per American technician are estimated to be Afs. 105,490 and Rs. 104,000, respectively. Thus for 18 American technicians the local currency would be Afs. 1,898,820 and Rs. 1,872; and for 25 technicians, Afs. 2,637,250 and Rs. 2,600.

HAVA will employ six TCNs for its Engineering Division:

- 1 - Senior Design Engineer
- 1 - Field Engineer
- 3 - Design Engineers
- 1 - Materials Engineer

HACU will employ six TCNs for its construction operations:

- 1 - Senior Office Engineer
- 1 - Field Engineer
- 1 - Cost Engineer
- 1 - Accountant
- 1 - Purchasing Officer
- 1 - Radio Technician

HAVA and HACU will employ these twelve technicians for two years at salaries averaging U.S. dollars 600 per month. "Other" costs include vacation pay, travel and shipping costs; 70% of salaries and other costs will be paid in U. S. dollars, and 30% in Afghanis. Costs for insurance, bank charges, and recruitment will be paid in dollars. The subsistence allowance (\$6 or Afs. 450 per day) will be paid in Afghanis. Thus, the salaries and related costs for the 12 TCNs would be \$146,322 (provided from other than AID sources) and Afghanis 8,472,600.

Recruitment of foreign personnel under previous Development Grant financing has been accomplished satisfactorily through established recruiting agencies. It is anticipated that this arrangement will be continued under the project.

D. Construction Materials and Supplies

Approximately \$239,000 or 5% of the proposed loan will be used to finance the procurement from the U. S. of construction materials and supplies needed for the land betterment program in the Helmand-Arghandab Valley during the next two years. The construction materials consist of reinforcing steel, structural steel, metal gates, form supplies, and wire mesh. The supplies are lubricating oils, greases, anti-freeze and freon gas used in camp refrigerator units. A list of the materials and supplies and their estimated cost is shown below:

CONSTRUCTION MATERIALS

<u>Quantity</u>	<u>Unit</u>	<u>Item</u>	<u>Estimated Unit Cost</u>	<u>Estimated Total Costs</u>
229	Rolls	Wire mesh		
56	Each	Metal gate 18"	\$ 59.38	\$ 13,598
28	Each	Metal gate 24"	193.75	10,850
2,600	Pcs.	Reinforcing steel 1/2" x 20'	225.00	6,300
1,665	Pcs.	Reinforcing steel 5/8" x 20'	1.43	3,718
1,156	Pcs.	Reinforcing steel 3/4" x 20'	1.73	2,880
850	Pcs.	Reinforcing steel 7/8" x 20'	2.30	2,659
8,850	Lbs.	Structural steel	3.74	3,179
Lump Sum	---	Form supplies	0.60	5,310
			Lump Sum	52,500
Sub-total (CIF, KARACHI)				\$100,994

LUBRICATING OILS, GREASES, ANTI-FREEZE AND FREON GAS

<u>Quantity</u>	<u>Unit</u>	<u>Item</u>	<u>Estimated Unit Cost</u>	<u>Estimated Total Costs</u>
83,214	Gal.	Delo oil #30	\$ 0.73	\$ 60,746
10,206	Gal.	Thuban oil #90	0.74	7,553
17,519	Gal.	Thuban oil #140	0.75	13,139
68,139	Gal.	Auto oil #30	0.54	36,795
118,576	Lbs.	Grease	0.11	13,043
1,400	Gal.	Transformer oil No. VV 10530	0.65	910
378	Gal.	Anti-freeze	1.10	416
8	Btl.	Freon gas (145 #/btl.)	76.10	609
5,500	Gal.	Shell Rotella oil #40	0.91	5,005
Sub-total (CIF, KARACHI)				\$138,216

- 21 -

Total estimated dollar cost of construction materials and supplies				\$ 239,210
Inland freight charges				
Karachi - Chaman				
Costs in other currencies			(\$ equivalent)	
Inland freight charges				
Karachi - Chaman	Rs. 60,091		12,619	
Chaman-Chah-i-Anjir	Afs. 454,475		<u>6,060</u>	
				\$ 18,679
				<hr/>
Total Cost, Construction Materials and Supplies				\$257,889

V. PROJECT COSTS**BEST AVAILABLE COPY**

The total estimated costs of the project in all currencies is shown below (all figures in thousands):

<u>Item</u>	<u>U.S. \$</u>	<u>Local Currencies</u>		<u>Dollar^{1/} Equivalent</u>	<u>Total Expressed in Dollars</u>
		<u>Afghanis</u>	<u>Pak Rs.</u>		
Equipment Rehab.	\$ 1495	7142	943	\$ 293	\$ 1788
New Equipment	1414	5408	686	216	1630
Matls & Supplies	<u>239</u>	<u>48536^{2/}</u>	<u>143</u>	<u>677</u>	<u>913</u>
Sub-totals	\$ 3148	61086	1772	\$1186	\$ 4334
Contingency (15%)	<u>475</u>	<u>9163</u>	<u>265</u>	<u>179</u>	<u>651</u>
Total - Capital Goods	\$ 3623	70249	2037	\$1365	\$ 4985
Personnel:					
Eighteen Americans	687	1899	2	26	713
Seven Americans (as necessary)	<u>270</u>	<u>738</u>	<u>1</u>	<u>10</u>	<u>280</u>
Twenty-five Americans	\$ 957	2637	3	\$ 36	\$ 993
TCNs	146 ^{3/}	8473	1	120	226
Afghans	<u>----</u>	<u>48,018</u>	<u>---</u>	<u>640</u>	<u>640</u>
Total Personnel	\$ 1103	59128	4	\$ 796	\$ 1859
Grand Total	\$ 4726	129377	2041	\$2161	\$ 6844

VI. ENGINEERING ANALYSIS

The principal purposes of the proposed loan are:

(a) To enable HAVA to prepare final designs, plans and specifications for a land betterment program in the Helmand and Arghandab Valley of about 5,000 acres per year, to be based on feasibility studies and reports prepared by the Bureau of Reclamation, and

(b) To equip the Helmand Arghandab Construction Unit (HACU) to carry out the construction work specified in the plans and specifications prepared as above (a), at a rate of about 5,000 acres per year, and

^{1/} Afs. 75 = \$1.00 ^{2/} Includes the cost of cement, diesel oil, gasoline, and local construction materials which the borrower will finance with its own resources.

^{3/} Dollar costs for TCNs to be financed from other than loan proceeds.

(c) To develop the HACU into a viable institution capable of performing construction work needed for the development of the valley.

A. Land Betterment

The Mission estimates that with steady improvement in the operation and maintenance capability of the HACU under the supervision of foreign technicians, the new equipment will have a useful life of about 10 years and the equipment to be rehabilitated will have a life of 6 to 7 years.

The loan application includes a work plan indicating the types of land betterment work which will be needed to develop 10,000 acres during the next two years. Accompanying the work plan is an equipment utilization schedule showing the major pieces of equipment which will be needed to develop 10,000 acres. These schedules were prepared by the AID-financed American counterpart of the HACU Director General for Engineering. The Mission, Bureau of Reclamation group, and NESAs staff have reviewed the estimates shown in these schedules and have found them to be reasonable.

The equipment utilization schedule was subjected to particular review. It tends to suggest relatively poor utilization of the equipment that will be available to the HACU. This is somewhat misleading. The schedule shows the expected utilization of the equipment on the irrigation and drainage work, but does not include the other activities of the HACU such as the design and construction of access roads, bridges, electrical facilities, and domestic water supply and sewer systems. Also the equipment schedule does not include the period of 40 to 50 days each year when the irrigation canals are shut down for maintenance work. During this period the HACU, in addition to continuing its own work, does some of the maintenance work under contracts with the Operations and Maintenance Division of the HAVA.

The equipment utilization, even if fully presented in the schedule, would be low by U.S. standards. The work of the HACU is scattered over a large area with roads of only fair quality and many roadless desert areas. For this reason it is often more economical to leave a piece of equipment in an area for later use than to move it to a different location when it might be used and then return it. This situation results in several idle pieces of equipment and a lower utilization factor for these units. The fact that the equipment list includes 111 items to be rehabilitated over a period of one year means that the number of units actually in service over the next two years will be less than the total pieces of equipment involved. Similarly, the rehabilitated equipment will be less reliable than the normal average equipment and a lower utilization factor is to be expected to allow for breakdowns. This matter of equipment utilization was questioned by AID/W and was reviewed specifically by the equipment specialists of the Bureau of Reclamation group which concluded that the proposed utilization rate of about 80% was satisfactory.

An American equipment specialist recently assigned to the Bureau of Reclamation group working in the Valley has surveyed the equipment now owned by the HACU and has reviewed and revised the lists of old equipment

to be rehabilitated and new equipment to be procured for the project. In his judgment, which is shared by the Mission and NESAs staff, the revised lists include the kinds and quantities of equipment which will be needed to carry out a land betterment program in the valley at a rate of 5,000 acres per year and to accomplish other related work, such as building construction and repair, road and bridge construction, and construction work in connection with power and drinking water distribution. It may, however, be necessary to make some adjustment to the equipment lists at the time of procurement.

The loan application requests proprietary procurement of certain items of new equipment where the HACU desires to standardize and where it has a large stock of supply parts on hand, as is the case with Caterpillar equipment. The HACU shops are equipped, and the mechanics are trained, to handle specific types of equipment. To change types would necessitate some replacements of specialized shop equipment and tools and would require additional training of personnel. Also, the HACU at the present time has an inventory of over \$2 million in spare parts. Many economies are therefore possible if certain specific makes and models are ordered. Although the parts inventory is large, many critical items are now lacking. Many items in the inventory, moreover, are no longer useful for the HACU's remaining equipment or for the equipment to be purchased. HACU is currently selling salvage material, obsolete equipment and parts, and the income from these sales is being added to the HACU working capital in conformity with its charter as a government enterprise. HAVA and HACU will take care not to buy spares now in adequate supply. Some amount of standardization and proprietary procurement under the loan will be desirable. The Mission will require that all procurement under the loan be approved by the Bureau of Reclamation Project Manager, or such other individual as the AID Mission Director may designate. Proprietary requests by the borrower will be submitted to the Mission with appropriate justification; the Mission will forward same to AID/W for action.

The Bureau of Reclamation group is preparing feasibility studies of specific project areas in the Helmand-Argandab Valley where the land is suitable for development. The group has completed its first study, covering 8,000 to 12,000 acres in the Shamalon area. When subsequent feasibility studies are reviewed and completed, the HAVA will prepare the detailed design, specifications, and bills of quantities for each project and the HACU will then carry out the necessary earth-moving and construction work at the rate of about 5,000 acres per year. The foreign engineering personnel will assist the HAVA engineers in preparing these plans and the foreign construction personnel will supervise the necessary construction. Similarly, the foreign personnel assigned to the HACU shops will assist HACU personnel in the rehabilitation, maintenance and repair of the HACU's equipment. The foreign administrative personnel will assist in the management of the HACU's overall operations. The number and skills of the foreign personnel to be financed by the proposed loan during the next two years are those needed to assist the HAVA and HACU to plan and carry out land betterment at a rate of 5,000 acres per year in specific project areas where the Bureau of Reclamation had completed favorable feasibility studies.

B. Institutional Development

A new charter of the HACU took effect on April 1, 1966. The charter defines the objectives of the HACU as follows:

1. To design and construct irrigation and land development structures.
2. To design and construct roads, bridges, electrical facilities, domestic water facilities, sewer systems and other public works facilities.
3. To do major repairs on irrigation structures.
4. To repair and maintain all kinds of heavy duty equipment and machinery.
5. To set up industrial facilities for the manufacture of metal works, wood work, and the production of construction materials, etc.

As noted in last para page 7, there is a serious shortage of trained Afghans at the middle management and professional levels in the HACU, Afghans of foremen caliber are hard to train, and Afghan mechanics and technicians require close supervision. An extensive training program will be needed if the HACU is to become a viable and efficient Afghan institution.

AID is presently financing the services of an economic advisory group under a contract with the J.G. White Engineering Company of New York. The group is advising the HAVA on its internal organization and structure and assisting the HAVA to prepare economically sound short and long-term plans for the overall development of the Helmand-Arghandab Valley. One of the members of the advisory group is making a manpower survey of the HACU which will be completed within the next few months. The economic advisory group and the AID Mission's training advisor in the Valley will use the results of this survey as a basis for recommending a realistic and effective training program for the Afghan employees of the HACU.

These employees come from three sources. Some, with little schooling, receive most of their training on the job. Others, who receive good training in Afghan schools, especially in the AID-assisted Faculty of Engineering at Kabul University for professional engineers and in the Afghan Institute of Technology for sub-professional technicians, still require some on-the-job training before they can assume full responsibility. A final source of trained

Afghan personnel are those who have been sent to the United States for training under AID financed participant programs. Effective on-the-job training for the first two categories of personnel will be provided by the foreign personnel, especially the U.S. technicians, to be financed under the proposed loan.

To assure the HAVA contribution to the project for employment of TCN personnel; to insure that American personnel are properly utilized; and to assure that HAVA and HACU carry out meaningful training programs, the loan agreement will provide that:

1. The HAVA and HACU shall submit training plans and staffing patterns to USAID for its approval prior to the first disbursement under the loan.
2. Individual contracts for the first 18 American technicians financed under the loan will be authorized by the Bureau of Reclamation Project Manager or such other individual as the Mission Director may designate only after:
 - a. HAVA and HACU have commenced employment of TCN employees to be financed by RGA, and have demonstrated that the funds for such employment are available; and
 - b. HAVA and HACU are adhering to the training plans and staffing patterns approved as above.
3. Individual contracts for any of the contingent 7 American positions will be authorized by the Mission Director only after HAVA and HACU have contracted for the twelve TCN positions to be financed by RGA, and adequate justification is presented for the filling of each such position with an American.

VII. ECONOMIC ASPECTS

The economic justification for the proposed loan is based on the importance of the agricultural sector to the economy of Afghanistan and on the need of proper land preparation, irrigation and drainage to increase agricultural production in the Helmand-Arghandab Valley. According to the World Bank, about 70% of Afghanistan's GNP is derived from agriculture and some 90% of the population are directly dependent on agriculture for a livelihood. In Afghanistan's arid climate 85% of the annual wheat crop is produced on irrigated land. Because of the low average annual rainfall in the Valley dry farming is not feasible. Under these circumstances it is desirable to make optimum use of the waters of the Helmand and Arghandab Rivers to irrigate suitable lands in the Valley.

The foundations for an adequate irrigation system already exist. The development work which has been accomplished in the Valley since 1946 has provided a system of storage dams, reservoirs, main canals and main drains. The principal work which remains to be done consists of land levelling and the construction of lateral canals and drains.

Further planning and development of the Valley contemplate the completion of land betterment work in suitable project areas at the rate of up to 20,000 acres per year. Some of this work may have to be done by foreign contractors, but the Bureau of Reclamation group working in the Valley estimates that about 25% of the project work can be accomplished more effectively by an "in-house" construction organization than by contractors from the U.S. or other countries. The work which can best be done by the HACU will include sections of irrigation or drainage canals, and earth-moving and levelling work on land sections. It also includes work that must be carefully timed to avoid interference with irrigation or other local activities. Such tasks require close coordination between the various interests involved including the operating organization in charge of the irrigation works and the designers of the facilities. Such coordination is not readily obtained with a private contractor.

The Bureau of Reclamation group is satisfied that there are at least 50,000 acres of land in the Valley which are suitable for development by the HACU, and that with sufficient equipment and technical assistance the HACU will be able to develop this land at the rate of 5,000 acres per year. The equipment scheduled for rehabilitation and procurement under the proposed loan is the kind and quantity required to enable the HACU to carry out a land betterment program at this rate for a period of ten years and thereby develop the 50,000 acres of suitable land.

The Bureau of Reclamation group is preparing project feasibility studies of specific areas in the Valley. The studies will include reasonably firm estimates of the benefits and costs of each project, taking into account all of the inputs which will be needed to bring about an appreciable increase in the yield per acre. These inputs will include improved seed, fertilizer, pesticides, and demonstration and training designed to bring about the adoption of cultural practices suited to the farming of irrigated land under the conditions prevailing in the Helmand-Arghandab Valley. The Loan Agreement will provide that the HACU will carry out its land betterment work in project areas where the Bureau of Reclamation group has determined that development is feasible.

The effect of the work to be supported by the proposed loan will be to bring more lands into production, contribute to more efficient use of water, reduce salinity in the soil, and facilitate cropping on existing lands. The end result should be to increase gross farm output and productivity per unit of land in the Helmand-Arghandab Valley. It is also anticipated that the land betterment program, improved seed, and other inputs will result in an increase in wheat production in the Valley which will contribute to Afghanistan's goal of eliminating its dependence on imported wheat and thereby ease the growing pressure on U. S. wheat supplies.

In view of the long lead time (nine to twelve months) for delivery of the new equipment and the components required for the rehabilitation of the HACU's old equipment, it is desirable to provide the necessary financing now

so that sufficient equipment will be on hand and the HACU will be able to start its land betterment work as soon as possible after the feasibility studies and construction plans are completed.

During the period 1960-66 AID used Development Grant funds to finance the services of foreign personnel to assist the HACU with its work. The HACU will continue to need technical assistance for several years if it is to become a viable and efficient institution. To the extent that AID provides future financing for this purpose, it will be from Development Loan funds instead of Development Grants. The proposed loan will provide sufficient funds to finance an appropriate level of technical assistance for the HACU during the next two years, which along with the equipment, will enable the HACU to carry out its portion of the proposed land betterment program. At the same time, training the HACU's Afghan employees in administration, construction work, and in the management, operation and maintenance of equipment and of completed irrigation and drainage facilities will be an important function of the foreign personnel.

A. Impact on U. S. Economy

All of the equipment, components, spare parts, and materials and supplies to be financed under the proposed loan will be purchased in the U. S. and will have an immediate neutral impact on the U. S. economy. This procurement will, however, create a follow-on demand for additional parts, materials and supplies which will continue during the estimated ten-year life of the equipment. Also, since the HACU's Afghan operation and maintenance crews will have been trained in the use of American equipment and since spare parts inventories will contain U. S. components, it is likely that a substantial volume of future equipment orders will be placed in the U. S.

The HAVA loan application contemplated the use of approximately \$417,000 of the proposed loan to finance the services of Third Country Nationals(TCNs). This plan has now been modified through negotiations. HAVA and HACU will employ up to twelve TCNs with its own resources and plan to use up to \$959,000 of loan funds to finance the employment of from 18 to 25 American technical employees.

B. Repayment Prospects

Afghanistan's present foreign debt totals about \$365 million. Annual debt service will be \$6.6 million in 1966-67 (or about 10 percent of total export earnings), \$7.4 million in 1967-68, and rise to a level of \$10.5 million in 1968-69. By 1970 and thereafter, the annual service will be about \$12-13 million reflecting resumption of full servicing on Soviet debt. Servicing of the Soviet debt is expected to be more than offset by exports of natural gas to the Soviet Union from 1968 onward. Afghanistan's international

liquidity position presently stands at \$44.0 million, consisting of \$37 million of gold holdings and \$17 million in convertible foreign exchange. Convertible exchange holdings are up from \$9 million at the end of 1965 as a result of increased exports to the multilateral area, increased value of karakul exports in particular, and a slight decline in commercial imports from the same area. Afghanistan currently maintains a positive commercial trade balance of \$12-13 million annually with all currency areas, of which about \$6 million is held with the convertible currency area. This trend toward increased multilateral trade is expected to continue, and probably increase as further export incentives are provided for karakul, cotton and other important agricultural exports, and bilateral trade balances persist in Afghanistan's favor. Non-commercial imports from Bloc and Western countries are expected to decline somewhat in the future as large capital infrastructure projects are completed. Principal and interest payments on U. S. Development Loans and Export-Import Bank loans to Afghanistan, total \$55.0 million, are currently being made as scheduled. The prospects for repayment of the proposed loan appear favorable.

C. Effect on Private Enterprise

The loan proceeds will be used to purchase equipment and supplies from U. S. firms and thus will have a favorable effect on U.S. private enterprise. In Afghanistan the equipment will be used by a public construction agency and will have no direct impact on private business or credit institutions. The loan's ultimate purpose, however, is to develop a functioning irrigation system on improved land, thus benefitting private farmers. In addition the training received by Afghan mechanics and engineers will help create a reservoir of skills from which private as well as public institutions will benefit.

VIII. FINANCIAL ASPECTS

The project costs shown in Section V above are the dollar, afghani and rupee costs of new equipment, rehabilitation of used equipment, construction materials and supplies, and foreign personnel. The dollar costs would be paid from the proposed loan and the afghani and rupee costs would be paid for by the Borrower. The total dollar, afghani and rupee costs will support the HACU land betterment and related activities. The Mission estimates that the new equipment will have a useful life of ten years, the new vehicular equipment and tires a useful life of seven years, and the rehabilitated equipment a useful life of six to seven years. The materials and supplies and personnel costs are funded for a two-year period.

The annual costs of the project, based on the above estimates, amount to \$1,850,000.

It is estimated that the HACU will expend at least 25% of its effort toward construction work other than land betterment and at least 25% of its expenses will be for these other projects. Thus, only 75% of the annual expense should be charged to the 5,000 acres of land developed. On this basis the cost per acre is \$278, which is considered a reasonable land development cost.

The cost per acre is only an indication with the given criteria. Actually HACU should be self-supporting as a construction unit. HACU is developing a schedule of charges which will cover the cost of its work.

As one of the conditions precedent to disbursement under the loan, AID will require evidence that these charges are adequate and that the HACU has made satisfactory arrangements for the collection and payment of these charges.

IX. CONDITIONS AND COVENANTS

AID proposes to include the following non-standard conditions and covenants in the Loan Agreement.

Prior to the issuance of the first letter of commitment or any disbursement under the loan, the Borrower shall submit to AID, in form and substance satisfactory to AID:

- (a) evidence of appropriate budgetary availabilities to support the operation and maintenance of HAVA and HACU in carrying out the project.
- (b) a staffing pattern and training program for the HACU, and the Department of Engineering Services of HAVA.
- (c) a schedule of charges for the land betterment and other work performed by the HACU which will be adequate to cover the costs of the work.
- (d) evidence of appropriate arrangements for the collection of these charges.

The Loan Agreement will also include the following covenants by the Borrower:

- (a) for a period of three years from the issuance of the first letter of commitment,
 - 1. the HACU will not perform any land betterment work without the prior approval of the Bureau of Reclamation Project Manager;
 - 2. the HACU will complete all land betterment projects in a manner satisfactory to the Bureau of Reclamation Project Manager;

3. the Bureau of Reclamation group may request the HACU to stop construction work on any land betterment or related project and the HACU shall comply with any such request.
- (b) one year from the date of issuance of the first letter of commitment under the loan, the Borrower will submit a revised training program to AID for review and approval.
- (c) the HACU will establish an equipment operation and maintenance division adequate to service the kinds and quantities of equipment to be purchased and/or rehabilitated under the proposed loan.
- (d) the HACU will retain and use this equipment only for land betterment and related projects in the Helmand-Arghandab Valley.

In addition, the basic Implementation Letter will provide that:

- (e) all proprietary procurement and individual contracts for the employment of U.S. technicians and TCNs will be subject to approval by AID on a case-by-case basis.
- (f) AID will approve individual employment contracts only if it is satisfied that the HACU is adhering to the agreed staffing pattern and training program.

X. IMPLEMENTATION PLAN

When the Borrower has fulfilled the conditions precedent to disbursement under the loan, AID will issue letters of commitment for the procurement of new equipment, and components for the rehabilitation of old equipment, and for the individual employment contracts for U.S. technicians and third country nationals.

We estimate that the equipment and components will be delivered in Afghanistan within nine to twelve months after orders are placed. Upon delivery of the components, the HACU shop personnel will begin the rehabilitation of the old equipment which will take about one year. The new equipment will be used on arrival for land betterment work approved by the Bureau of Reclamation group.

The U. S. technicians will be recruited by an American recruiting firm and it is estimated that they will be required from one to twelve months after approval of the loan.

The new and rehabilitated equipment will be used to carry out the work plan included in the loan application for the development of 10,000 acres over the next two years and thereafter for additional land betterment work at the rate of 5,000 acres per year with the aim of completing the development of 50,000 acres of suitable land over the next ten years.

XI. DISBURSEMENT SCHEDULE

The estimated schedule for the issuance of letters of commitment and for disbursements under the loan is shown below:

U.S. Fiscal Years	<u>Letters of Commitment</u>		<u>Disbursements</u>		
	<u>1967</u>	<u>1968</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	\$1,000	\$3,600	\$600	\$3,300	\$700

HAVA ORGANIZATION CHART

General President

Vice President

Staff Offices: Secretariat
Planning & Statistics
Audits

Department of Engineering & Technical Services

Engineering Division

Operation & Maintenance Division

Project Planning Division

Architectural Division

Department of Administration

Department of Agriculture and Rural Development

Department of Social Services

Department of Power, Industry & Commerce

Note: Government Enterprises are not organizationally a part of HAVA, however the president of each of the following Enterprises reports to the RGA through the General President of HAVA who is the General Manager of these Enterprises.

1. Helmand Arghandab Construction Unit
President
 Technical Vice President
 Administrative Vice President
 Administration Division
 Engineering Division
 Construction Division
 Equipment & Shop Division
2. Building Enterprise
3. Boghra Breshna (Electric Enterprise)
4. Cotton Processing Enterprise
5. Alabaster and Woodwork Enterprise
6. Hotel and Tourism Enterprise

HELMAND AND ARGHANDAB CONSTRUCTION UNIT

(HACU)

CHAPTER I

BEST AVAILABLE COPY

NAME AND OBJECTIVE

Article 1. Name

1. The organization, under the name of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT (in the Helmand Valley), is set up as an enterprise.
2. The organization, with headquarters in the Helmand Valley, can set up temporary or permanent branch offices inside the country and abroad when necessary.

Article 2. Objectives

For the purpose of having an organized large technical unit to function on a commercial basis, the HELMAND AND ARGHANDAB CONSTRUCTION UNIT is organized with the following objectives:

1. To design and construct irrigation and land development structures.
2. To design and construct roads, bridges, electrical facilities, domestic water facilities, sewer systems and other public works facilities.
3. To do major repairs on irrigation structures.
4. To repair and maintain all kinds of heavy duty equipment and machinery.
5. To set up industrial facilities for the manufacture of metal works, wood work and the production of construction materials, etc.

CHAPTER II

CAPITAL

Article 3.

1. The capital of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT is totally provided from the Government sources.
2. The capital of the organization is set up at 300,000,000 afghanis.
3. The book value of the movable and non-movable property which is being used by the organization will be considered a part of its capital.
4. The foreign exchange component of the book value of the property will be converted into afghanis at the free Da Afghanistan Bank rate in the capital evaluation.
5. The remaining portion of the capital after fixing the value of the property (as per sections 3 and 4 above) will be supplied gradually by the Government.

- 6. HVA receivables are considered a part of the capital of this organization.
- 7. The net predetermined profits, after the expenditures and depreciation deductions, are to be transferred to the Government income. Funds over and above the predetermined profits are to be deposited in the reserves of the capital with the approval of the General Manager and the Ministry of Finance.

CHAPTER III
ORGANIZATION

Article 4.

The organizational components are as follows:

- 1. The General Manager
- 2. Board of Advisors and Supervisors
- 3. The Executive Board

BEST AVAILABLE COPY

Article 5

General Manager

- 1. The General Manager of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT is the General President of the Helmand Valley Authority.
- 2. The Executive Board is directly responsible to the General Manager and the administrative and technical departments of the organization will function directly under the Executive Board, and in the execution of their duties they are directly responsible to the chief of the Executive Board.

Article 6.

Duties of the General Manager

- 1. Approval of the annual development programs and the expansion of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT activities.
- 2. Approval of the job descriptions of the organization.
- 3. Studying and approval of the financial balance sheets and the reports of the Executive Board.
- 4. Approval of the ranks and qualifications of the civil service employees of the organization as per the provisions of the set laws.
- 5. Approval of the opening of representative and branch offices.
- 6. General supervision of the overall functions of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT.
- 7. Signing foreign and local loan agreements.

Article 7

Board of Advisors and Supervisors

The General Manager shall appoint boards of advisors and supervisors for the purpose of advising and supervising the operations of the organization. These boards are to be composed of specialists in construction, financing and administration. Their appointments are for a period of three years and new

appointments of the board members are permissible.

1. The board of supervisors, composed of three experts in construction, financing and administration, checks the application of the provisions of this charter in the operations of the board of Executives. This board also checks the manner in which the functions of the technical, financial and administrative departments are carried out. It also studies and certifies the unified reports of the organization.

Note: The Board of Supervisors reports in writing and, if necessary, makes recommendations to the Executive Board and the General Manager on matters which they think should be modified in the construction, financial and administrative functions of the organization.

2. The Board of Advisors, composed of three members who are specialists in Construction, Financing or Administration, is appointed for a period of three years. When necessary, as directed by the General Manager or upon the request of the Executive Board or the Board of Supervisors, the Board of Advisors convenes in the headquarters of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT and advises that organization.

Note: The Board of Advisors can utilize the opinions of the Executive Board and the Board of Supervisors.

Note: The Board of Inspectors of the enterprises of the Ministry of Finance inspects the matters of this enterprise from time to time.

Article 8.

BEST AVAILABLE COPY

Executive Board

1. The Executive Board is the executing component of the organization and consists of one Chief (or President) with a degree in Engineering or in Finance, and two assistants fully qualified in administrative and technical fields.
2. The Executive Board is appointed by higher authority upon the nomination of the General Manager for a period of three years. New appointments and extension of the term of service of the Executive Board are permissible.
3. The Executive Chief is the sole authority in the internal functions of the organization and is directly responsible to the General Manager in the execution of all the technical and administrative duties of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT.
4. The limits of duties of the assistants, in the presence and in the absence of the Chief, are as determined appropriate by the Chief.

Article 9.

The Duties of the Executive Board

1. Preparing the organization chart and the budget of the organization before the beginning of each fiscal year and, after the approval of the General Manager, submitting them to the Ministry of Finance.
2. Carrying out the HELMAND AND ARGHANDAB CONSTRUCTION UNIT programs.
3. Preparing and submitting the yearly balance of the organization to the Ministry of Finance after the approval of the General Manager.
4. Signing contracts concerning the work of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT.

Note: Contracts over and above five million Afghanis are to be approved by the General Manager.

- the volume of the work.
6. Responsibility for the execution and the supervision of the provisions of this charter.
 7. Drafting of the necessary By-laws.
 8. Purchasing of locally available and imported commodities under the following conditions:
 - a. The HELMAND AND ARGHANDAB CONSTRUCTION UNIT procures in bulk on a competitive basis, its construction materials and needs, especially major imported commodities, for six months in advance.
 - b. Major construction materials (such as cement, reinforcing steel, etc.) are to be bought first from Government agencies if the prices of such agencies are lower than other agencies; otherwise such materials should be bought from competitive local and foreign suppliers.

Note: In the study of the foreign market and the related contracts the foreign exchange regions and countries set by the Government should be given first consideration, without neglecting the limitation and conditions of the construction program.
 - c. Purchase of materials of an emergency nature is dependent on the decision of the Executive Board.
 9. Settlement of legal matters of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT according to established laws and regulations.

CHAPTER IV

BEST AVAILABLE COPY

BUDGET AND ACCOUNTING

Article 10.

1. The organization chart and the budget are to be approved by the General Manager and can be changed according to the volume of work.
2. The fiscal year starts on Hamal and ends on Hoot of each year.
3. The system of accounting followed will be on the basis of double entry as instructed by the Ministry of Finance and will be adjusted to the requirements and better efficiency and conditions of the construction program.

CHAPTER V

THE DISSOLUTION AND CLEARANCE OF THE ORGANIZATION

Article 11.

The HELMAND AND ARGHANDAB CONSTRUCTION UNIT can be dissolved for one of the following reasons:

1. Lack of the possibility of carrying out the objectives for definite reasons, in the opinion of the General Manager.
2. Association and merging with another organization.
3. Possibility of better progress when the legal status is changed.

Note #1: The mechanics of dissolution and the clearance of books is carried out by a separate body appointed by the General Manager.

Note #2: The capital of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT after payment of debts and expenses related to the clearance work is returned to the Ministry of Finance.

The dissolution of the HELMAND AND ARGHANDAB CONSTRUCTION UNIT takes effect upon the decree of the Cabinet and sanction of His Majesty the King.

CHAPTER VI

MISCELLANEOUS

Article 12.

The salary scale and the overtime scale of the workers are set up on the proposal of the Executive Chief and the approval of the General Manager, taking into consideration the current salary scales of competitive and foreign construction organizations. These scales can be modified from time to time.

Article 13:

All Government agencies and enterprises in the Helmand and Arghandab regions must invite the HELMAND AND ARGHANDAB CONSTRUCTION UNIT to bid on their projects.

Article 14.

Construction contracts can be either on the basis of fixed quotations or on a cost-plus-fee basis.

Article 15.

Any amendments to this charter, when deemed necessary, are to be prepared by the Executive Board, forwarded to the General Manager for approval and after approval by the Cabinet they are to be annexed to this charter.

Article 16.

The HELMAND AND ARGHANDAB CONSTRUCTION UNIT honors the construction laws and regulations of the country and functions accordingly.

Article 17.

This charter, after the decree of the Cabinet and sanction of His Majesty the King, is effective as of Hamal first, 1345 and the Helmand Valley Authority is bound by law to apply its provisions.

CHECK LIST OF STATUTORY CRITERIA

Development Loan Fund

In the right-hand margin, summarize for each item the information or conclusion requested. As necessary reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1966.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1967.

- | | |
|---|--|
| 1. <u>FAA §.102.</u> Precautions that have been or are being taken to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development. | This loan will further Afghanistan's long-range economic development as discussed in Section VII, Economic Aspects. Proceeds will be disbursed only for approved project goods and services. |
| 2. <u>FAA §.102.</u> Information on measures taken to utilize U. S. Government excess personal property in lieu of procurement of new items. | Screening of U.S. Government excess property lists will be made under this loan. |
| 3. <u>FAA §.102.</u> Information whether the country permits or fails to take adequate measures to prevent the damage or destruction, by mob action, of U. S. property. | Afghanistan takes adequate measures to prevent damage or destruction of U.S. property by mob action. |
| 4. <u>FAA §.201(b).</u> Manner in which loan will promote country's economic development, emphasizing help for long-range plans and programs designed to develop economic resources and increase productive capacities. | See Section VII, Economic Aspects. |
| 5. <u>FAA §.201(b)(1).</u> Information and conclusion on availability of financing from other free-world sources, including private sources within the United States. | The Export-Import Bank would not consider the application. There are no other free world sources which have indicated an interest in financing this project. |
| 6. <u>FAA §.201(b)(2).</u> Information and conclusion on activity's economic and technical soundness, including the capacity of the recipient country to repay the loan at a reasonable rate of interest. | See Section VI, Engineering and Section VII Economic Aspects. |

7. FAA §.201(b)(3). Information and conclusion on existence of reasonable promise activity will contribute to development of economic resources or increase of productive capacities. See Section VII, Economic Aspects.
8. FAA §.201(b)(4). Information and conclusion on activity's relationship to other development activities, and its contribution to realizable long-range objectives. See Section VII, Economic Aspects.
9. FAA §.201(b)(5). Country's self-help measures, including institution of Foreign Assistance Act investment guaranty programs. In making this loan, Afghanistan's efforts in adopting measures of self-help have been taken into account. Convertibility, expropriation, and guarantee against loss due to damage from war are established.
10. FAA §.201(b)(6). Information and conclusion on possible effects on U. S. economy, with special reference to areas of substantial labor surplus. The overall impact on the U.S. economy will be favorable. See Section VIIA. No information is available as to whether any specific labor surplus area will benefit.
11. FAA §.201(b)(7). Information and conclusion on the degree to which the country is making progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise. Afghanistan is making progress in this regard and has recently adopted a modern constitution.
12. FAA §.201(b)(8). Information and conclusion on the degree to which the country is taking steps to improve its climate for private investment. Afghanistan encourages private investment as shown by a new Private Investment law and efforts to establish an Industrial Development Bank.
13. FAA §.201(b)(9). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth. See Section VII, Economic Aspects.
14. FAA §.201(b). Information on applicability of the ten-country ceiling. Afghanistan is provided for under the terms of the FAA §201
15. FAA §.201(b). Information and conclusion on reasonable prospects of repayment. See Section VIIB, Repayment Prospects.

16. FAA §.201(d). Information and conclusion on legality (under laws of the country and the U. S.) and reasonableness of lending and relending terms.
17. FAA §.201(e). Information and conclusion on availability of an application together with sufficient information and assurances to indicate reasonably that funds will be used in an economically and technically sound manner.
18. FAA §.201(f). If a project, information and conclusion whether it will promote the economic development of the requesting country, taking into account the country's human and material resource requirements and the relationship between the ultimate objectives of the project and the country's overall economic development.
19. FAA §.201(f). If a project, information and conclusion whether it specifically provides for appropriate participation by private enterprise.
20. FAA §.202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.
21. FAA §.281. Extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the developing countries, through the encouragement of democratic private and local governmental institutions.
22. FAA §.601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry agriculture, and commerce; (f) strengthen free labor unions.

The Loan is lawful under the laws of the United States and Afghanistan. See Summary and Recommendations Section regarding lending terms.

An adequate application and other information have been received. See Section VII, Economic Aspects.

See Section VII, Economic Aspects.

The borrower is the RGA but the project will inure to the direct benefit of private citizens. See Section VIIC, Effect on Private Enterprise.

See Section VIIC, Effect on Private Enterprise.

See Section VII, Economic Aspects.

The loan would: (a) encourage the flow of international trade by providing for the export of equipment, supplies and know-how to Afghanistan from the U.S., (b) foster private enterprise as described in Section VII C, (c) have no direct affect on the development and use of cooperatives, credit unions and savings and loan institutions; (d) have no measurable affect on monopolistic practices; (e) technical efficiency will be improved as described in Section VI, Engineering Analysis, and Section VII, Economic Aspects (f) have no direct effect on the strengthening of free labor unions.

23. FAA §.601(b). Information and conclusion on how the loan will encourage U. S. private trade and investment abroad, and how it will encourage private U. S. participation in foreign assistance programs (including use of private trade channels and the services of U. S. private enterprise). See Section VIIC, Effect on Private Enterprise.
24. FAA §.601(d). Conclusion and supporting information on compliance with the Congressional policy that engineering and professional services of U. S. firms and their affiliates are to be used in connection with capital projects to the maximum extent consistent with the national interest. Engineering and professional services, other than recruiting individuals for employment, are not required for the project.
25. FAA §.602. Information and conclusions whether loan will permit American small business to participate equitably in the furnishing of goods and services financed by it. The loan agreement will include a provision requiring small business notification.
26. FAA §.604(a); App. §.108. Compliance with restriction of commodity procurement to U. S. except as otherwise determined by the President and subject to statutory reporting requirements. Commodity procurement required for this project will be from the United States.
27. FAA §.604(b). Compliance with bulk commodity procurement restriction to prices no higher than the market price prevailing in the U. S. at time of purchase. No bulk procurement is anticipated under this loan, but if made will be at prices no higher than the market price prevailing in the U.S. at the time of purchase.
28. FAA §.604(d). Compliance with requirement that marine insurance be purchased on commodities if the participating country discriminates, and that insurance be placed in the U. S. The requirements of this provision will be incorporated into the loan agreement.
29. FAA §.611(a)(1). Information and conclusion on availability of engineering, financial, and other plans necessary to carry out the assistance and of a reasonably firm estimate of the cost of the assistance to the United States. The U.S. Bureau of Reclamation has developed plans. Cost estimates have been made.
30. FAA §.611(a)(2). Necessary legislative action required within recipient country and basis for reasonable anticipation such action will be completed in time to permit orderly accomplishment of purposes of loan. Necessary legislative action will be accomplished.

31. FAA §.611(b); App. §.101. If water or water-related land resource construction project or program, information and conclusion on a benefit-cost computation.
32. FAA §.611(c). Compliance with requirement that contracts for construction be let on competitive basis to maximum extent practicable.
33. FAA §.612(b) and 636(h). Appropriate steps that have been taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services and foreign currencies owned by the U. S. are utilized to meet the cost of contractual and other services.
34. FAA §.619. Compliance with requirement that assistance to newly independent countries be furnished through multilateral organizations or plans to maximum extent appropriate.
35. FAA §.620(a); App. §.107(a) and (b). Compliance with prohibitions against assistance to Cuba and any country (a) which furnishes assistance to Cuba or failed to take appropriate steps by February 14, 1964, to prevent ships or aircraft under its registry from carrying equipment, materials, or supplies from or to Cuba; or (b) which sells, furnishes, or permits any ships under its registry from carrying items of primary strategic significance, or items of economic assistance.
36. FAA §.620(b). If assistance to the government of a country, existence of determination it is not controlled by the international Communist movement.
37. FAA §.620(c). If assistance to the government of a country, existence of indebtedness to a U. S. citizen for goods or services furnished or ordered where such citizen has exhausted available legal remedies or where the debt is not denied or contested by such government or the indebtedness arises under an unconditional guaranty of payment given by such government.
38. FAA §.620(d). If assistance for any productive enterprise which will compete with U. S. enterprise, existence of agreement by the recipient country to prevent export to the U. S. of more than 20% of the enterprise's annual production during the life of the loan.
- This is not a construction project.
- No construction contracts will be made with loan funds.
- The RGA is furnishing other foreign currencies required in addition to the proposed loan in addition to local currency. See Summary and Recommendations.
- Afghanistan does not fall within this category.
- Afghanistan is not in violation of these sections.
- Afghanistan is not controlled by the international Communist movement.
- Afghanistan is not ineligible under this section.
- This section is not applicable.

39. FAA §.620(e)(1). If assistance to the government of a country, extent to which it (including government agencies or subdivisions) has, after January 1, 1962, taken steps to repudiate or nullify contracts or taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U. S. citizens or entities beneficially owned by them without taking appropriate steps to discharge its obligations.
40. FAA §.620(f); App. §.109. Compliance with prohibitions against assistance to any Communist country.
41. FAA §.620(g). Compliance with prohibition against use of assistance to compensate owners for expropriated or nationalized property.
42. FAA §.620(h). Compliance with regulations and procedures adopted to insure against use of assistance in a manner which, contrary to the best interests of the U. S., promotes or assists the foreign aid projects or activities of the Communist-bloc countries.
43. FAA §.620(i). Existence of determination that the country is engaging in or preparing for aggressive military efforts.
44. FAA §.620(i). Information on representation of the country at any international conference when that representation includes the planning of activities involving insurrection or subversion against the U. S. or countries receiving U. S. assistance.
45. FAA §.620(j). Indonesia restriction.
46. FAA §.620(k). If construction of productive enterprise where aggregate value of assistance to be furnished by U. S. will exceed \$100 million, identification of statutory authority.
47. FAA §.620(l). Consideration which has been given to denying assistance to the government of a country which after December 31, 1966, has failed to institute the investment guaranty program for the specific risks of inconvertibility and expropriation or confiscation.
48. FAA §.620(n); App. §.107(b); App. §.116. Compliance with prohibitions against assistance to countries which traffic or permit trafficking with North Viet-Nam.
- Afghanistan has not taken such steps or action.
- Afghanistan is not a Communist country.
- No such payment will be made from this loan.
- A provision to insure compliance will be included in the loan agreement.
- No such determination under this section has been made.
- Afghanistan has participated in no such conference.
- Not applicable.
- This section is not applicable
- The guarantee program is in effect in Afghanistan.
- Afghanistan does not traffic and does not permit trafficking with North Vietnam.

BEST AVAILABLE COPY

49. FAA §.620(o). If country has seized, or imposed any penalty or sanction against, any U. S. fishing vessel on account of its fishing activities in international waters, information on the consideration which has been given to excluding the country from assistance. Not applicable.
50. FAA §.620(p); App. §.117. U. A. R. restriction. Not applicable.
51. FAA §.620(q). Existence of default under any Foreign Assistance Act loan to the country. Afghanistan is not in default on any loan.
52. App. §.102. Compliance with requirement that payments in excess of \$25,000 for architectural and engineering services on any one project be reported to Congress. No such payments will be made from this loan.
53. App. §.104. Compliance with bar against funds to pay pensions, etc., for military personnel. No loan funds will be so used.
54. App. §.106. If country attempts to create distinctions because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U. S. citizens generally, application which will be made in negotiations of contrary principles as expressed by Congress. Afghanistan does not discriminate.
55. App. §.111. Compliance with existing requirements for security clearance of personnel. All such personnel will be cleared in compliance with the loan.
56. App. §.112. Compliance with requirement for approval of contractors and contract terms for capital projects. This will be included in the loan agreement.
57. App. §.114. Compliance with bar against use of funds to pay assessments, etc., of U. N. member. No such payments will be made from the loan.
58. App. §.115. Compliance with regulations on employment of U. S. and local personnel for funds obligated after April 30, 1964 (Regulation 7). These regulations will be complied with.
59. App. §.118. Viet-Nam iron and steel restrictions. Not applicable.
60. App. §.401. Compliance with bar against use of funds for publicity or propaganda purposes within U. S. not heretofore authorized by Congress. No funds will be so used.

CAPITAL ASSISTANCE LOAN AUTHORIZATION
Provided from: Development Loan Funds
(Afghanistan - Helmand-Arghandab Valley Authority/
Helmand-Arghandab Construction Unit Loan)

Pursuant to the authority vested in the Assistant Administrator, Bureau for Near East and South Asia, of the Agency for International Development (hereinafter called "A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the Delegations of Authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title 1, the Development Loan Fund, to the Royal Government of Afghanistan, of not to exceed Four Million Six Hundred Thousand Dollars, (\$4,600,000) such funds to be made available to the Royal Government of Afghanistan to finance the foreign exchange costs of rehabilitating presently inoperable earth-moving, construction, and related equipment; the procurement of new equipment, spare parts, materials and supplies; and the furnishing of technical, supervisory and training services beginning in 1967 and ending in 1969 for the Helmand and Arghandab Valley Authority (HAVA) and the Helmand and Arghandab Construction Unit (HACU) for use in a land betterment program in the Helmand-Arghandab Valley of Afghanistan.

This Loan is subject to the following conditions:

1. Interest rate and terms of payment

This Loan shall be repaid by the Royal Government of Afghanistan within forty (40) years after the date of the first disbursement thereunder, including a grace period of not to exceed ten (10) years. The interest on the disbursed balance of the Loan shall be at the rate of one percent (1%) per annum during the ten (10) year grace period and at the rate of two and one half percent (2-1/2%) per annum thereafter.

2. Currency of Repayment

Repayment of the Loan and payment of interest shall be in United States dollars.

3. Other Terms and Conditions

3.1 Commodities and services financed under the Loan shall be of United States source and origin.

3.2 This Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Date: _____

Assistant Administrator
Bureau for Near East and South Asia

ANNEX IV
AID-DLC/P-456

March 14, 1967

A.I.D. Loan Number

Project Number

LOAN AGREEMENT

Between

ROYAL GOVERNMENT OF AFGHANISTAN

and the

UNITED STATES OF AMERICA

for

HELMAND-ARGHANDAB VALLEY AUTHORITY/

HELMAND-ARGHANDAB CONSTRUCTION UNIT

LOAN

Dated:

TABLE OF CONTENTS

ARTICLE AND SECTION	TITLE	PAGE
ARTICLE I. <u>The Loan</u>		
Section 1.01	The Loan	1
Section 1.02	The Project	1
ARTICLE II. <u>Loan Terms</u>		
Section 2.01	Interest	2
Section 2.02	Repayment	2
Section 2.03	Application, Currency and Place of Payment	2
Section 2.04	Prepayment	3
Section 2.05	Renegotiation of the Terms of the Loan	3
ARTICLE III. <u>Conditions Precedent to Disbursement</u>		
Section 3.01	Conditions Precedent to Initial Disbursement	4
Section 3.02	Conditions Precedent to Disbursements for Personal Services	5
Section 3.03	Conditions Precedent to Disbursement for Procurement of Goods	5
Section 3.04	Terminal Dates for Meeting Conditions Precedent to Disbursement	6
Section 3.05	Notification of Meeting of Conditions Precedent to Disbursement	7
ARTICLE IV. <u>General Covenants and Warranties</u>		
Section 4.01	Execution of the Project	8
Section 4.02	Funds and Resources to be Provided by Borrower	8
Section 4.03	Continuing Consultation	8
Section 4.04	Management	9
Section 4.05	Operation and Maintenance	9
Section 4.06	Taxation	9
Section 4.07	Utilization of Goods and Services	9
Section 4.08	Disclosure of Material Facts and Circumstances	10
Section 4.09	Commissions, Fees and Other Payments	10
Section 4.10	Maintenance and Audit of Records	11
Section 4.11	Reports	12
Section 4.12	Inspections	12
ARTICLE V. <u>Special Covenants and Warranties</u>		
Section 5.01	Execution of Project	13

TABLE OF CONTENTS - Continued

ARTICLE AND SECTION	TITLE	PAGE
<u>ARTICLE VI. Procurement</u>		
Section 6.01	Procurement from the United States	15
Section 6.02	Elibility Date	15
Section 6.03	Goods and Services Not Financed Under Loan	15
Section 6.04	Implementation of Procurement Requirements	15
Section 6.05	Plans, Specifications and Contracts	15
Section 6.06	Reasonable Price	16
Section 6.07	Shipping and Insurance	16
Section 6.08	Notification to Potential Suppliers	18
Section 6.09	United States Government-Owned Excess Property	18
Section 6.10	Information and Marking	19
<u>ARTICLE VII. Disbursements</u>		
Section 7.01	Disbursements for United States Dollar Costs - Letters of Commitment to United States Banks	20
Section 7.02	Other Forms of Disbursement	20
Section 7.03	Date of Disbursement	20
Section 7.04	Terminal Date for Disbursement	21
<u>ARTICLE VIII. Cancellation and Suspension</u>		
Section 8.01	Cancellation by the Borrower	22
Section 8.02	Events of Default; Acceleration	22
Section 8.03	Suspension of Disbursements	23
Section 8.04	Cancellation by A.I.D.	24
Section 8.05	Continued Effectiveness of Agreement	24
Section 8.06	Refunds	24
Section 8.07	Expenses of Collection	25
Section 8.08	Non-Waiver of Remedies	25
<u>ARTICLE IX. Miscellaneous</u>		
Section 9.01	Communications	26
Section 9.02	Representatives	26
Section 9.03	Implementation Letters	27
Section 9.04	Promissory Notes	27
Section 9.05	Termination Upon Full Payment	28

LOAN AGREEMENT Dated _____ between the
Royal Government of Afghanistan ("Borrower") and the UNITED STATES
OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT
("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to the Borrower pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed Four Million Six Hundred Thousand United States Dollars (\$4,600,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance United States dollar costs of goods and services required for the Project ("Dollar Costs"). The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal."

SECTION 1.02. The Project. The Project shall consist of rehabilitating presently inoperable earth-moving, construction and related equipment, the procurement of new equipment, spare parts, materials and supplies; and the furnishing of technical, supervisory and training services beginning in 1967 and ending in 1969 for the Helmand and Arghandab Valley Authority (HAVA) and the Helmand and Arghandab Construction Unit (HACU) for use in a land betterment program in the Helmand-Arghandab Valley of Afghanistan.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of one percent (1%) per annum for ten years following the date of the first disbursement hereunder and at the rate of two and one-half percent (2-1/2%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.03), and shall be computed on the basis of a three hundred sixty five (365) day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments of principal and interest. The first installment of Principal shall be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency and Place of Payment. All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest

due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D.C., U.S.A., and shall be deemed made when received by the Office of the Controller.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. The Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the Borrower.

BEST AVAILABLE COPY

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement.

Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the Minister of Justice or of other counsel acceptable to A.I.D. that this Agreement has been duly authorized or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

(b) A statement of the names of the persons holding or acting in the office of the Borrower specified in Section 9.02, and a specimen signature of each person specified in such statement;

(c) A current implementation plan, including revised lists of equipment, components and spare parts, and construction materials and supplies to be purchased; cost estimates; and time schedules for rehabilitation of equipment, purchases and completing the project;

(d) Evidence or assurances of the availability of funds, other than the Loan, necessary to support the operations of HACU and HAVA in carrying out the Project;

(e) Terms of relending or other financial arrangements with regard to the use of funds to be provided hereunder;

(f) A staffing pattern and training program for FACU and the Department of Engineering Services of HAVA:

(g) Evidence of installation of a job accounting system and a schedule of charges for the land betterment and other work to be performed by HACU, which will allow HACU to cover its costs on each job. The Borrower should also submit evidence of appropriate arrangements for the collection of such charges.

(h) Such other requirements as AID may reasonably request.

SECTION 3.02. Conditions Precedent to Disbursements for Personal Services. When the Borrower has fulfilled the conditions required by Section 3.01, A.I.D. will disburse or issue Letters of commitment for personal services contracts of American personnel provided the Borrower, except as AID may otherwise agree in writing, furnishes evidence that:

(a) HAVA and HACU have commenced employment of third country national employees to be financed by Borrower, and have demonstrated that the funds for such employment are available; and

(b) HAVA and HACU are adhering to the training plans and staffing patterns approved as above.

Provided further, that with respect to each individual contract financed under the Loan, the Mission Director or his designated representative will approve filling of the position and the person to be assigned.

SECTION 3.03. Conditions Precedent to Disbursements for Procurement of Goods. When the Borrower has fulfilled the conditions required by Section 3.1, A.I.D. will disburse or issue Letters of Commitment for

the procurement of goods, provided the Borrower, except as AID may otherwise agree in writing, furnishes evidence that arrangements satisfactory to A.I.D. have been made for such procurement. The nature of this evidence including identification of the procurement actions that should be submitted to AID for approval will be set forth in a separate letter.

SECTION 3.04. Terminal Dates for Meeting Conditions Precedent to Disbursement.

(a) If all of the conditions specified in Section 3.01 shall not have been met within one hundred twenty (120) days from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D. at its option may terminate this Agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties thereunder shall terminate.

(b) If all of the conditions specified in Section 3.02 shall not have been met within one (1) year from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may cancel the then undisbursed balance of the amount of the Loan or may terminate this Agreement by giving written notice to the Borrower. In the event of a termination, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

BEST AVAILABLE COPY

SECTION 3.05. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement have been met.

BEST AVAILABLE COPY

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project.

(a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound engineering, construction, financial, and administrative practices.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules, and other arrangements, and with all modifications therein, approved by A.I.D. pursuant to this agreement.

SECTION 4.02. Funds and Resources to be Provided by Borrower.

The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out maintenance, repair and operation of the Project.

SECTION 4.03. Continuing Consultation. The Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under this Agreement, the performance of the consultants, contractors and suppliers engaged on the Project, and other matters relating to the Project.

SECTION 4.04. Management. The Borrower shall provide qualified and experienced management for the Project acceptable to A.I.D., and it shall train such staff as may be appropriate for the maintenance and operation of the Project.

SECTION 4.05. Operation and Maintenance. The Borrower shall operate, maintain and repair the Project in conformity with sound engineering, financial, administrative and construction practices and in such manner as to insure the continuing and successful achievement of the purposes of the Project.

SECTION 4.06. Taxation. This Agreement, the amount agreed to be lent hereunder and any evidences of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within the country of the Borrower. To the extent that (a) all parties to contracts financed hereunder to which the Borrower is a party and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.07. Utilization of Goods and Services

(a) Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing. At such time as goods financed under the Loan can no longer

usefully be employed for the Project, the Borrower may use or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION 4.08. Disclosure of Material Facts and Circumstances.

The Borrower represents and warrants that all facts and circumstances that it has disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.09. Commissions, Fees and Other Payments

(a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees or other payments of any

kind, except as regular compensation to the Borrower's full time officers and employees or as compensation for bona fide professional, technical or comparable services. The Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Borrower covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes or similar payments legally established in the country of the Borrower.

SECTION 4.10. Maintenance and Audit of Records. The Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

(a) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;

(b) the nature and extent of solicitations of prospective suppliers of goods and services acquired;

(c) the basis of the award of contracts and orders to successful bidders; and

(d) the progress of the Project.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.11. Reports. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may request.

SECTION 4.12. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and the Borrower's books, records and other documents relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the country of the Borrower for any purpose relating to the Loan.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01. Execution of Project

(a) For a period of three years from the issuance of the first Letter of Commitment:

- (i) The HACU will not perform any land betterment work without the prior approval of the Bureau of Reclamation Project Manager or other designee of A.I.D.;
- (ii) The HACU will complete all land betterment projects in a manner satisfactory to the Bureau of Reclamation Project Manager or other designee of A.I.D.;
- (iii) The Bureau of Reclamation Manager or other designee of A.I.D. may request the HACU to stop construction work on any land betterment or related project and the HACU shall comply with any such request.

(b) One year from the date of issuance of the first Letter of Commitment under the Loan, the Borrower will submit a status report on its training program and a revised training program to A.I.D. for review and approval.

(c) Within one year from the date of issuance of the first Letter of Commitment under the Loan, the HACU will establish an equipment operation and maintenance division adequate to service the kinds and quantities of equipment to be purchased and/or rehabilitated under the Loan.

(d) The HACU will retain and use equipment procured under the Loan only for land betterment and related projects in the Helmand-Arghandab Valley.

BEST AVAILABLE COPY

ARTICLE VI

Procurement

SECTION 6.01. Procurement from the United States. Except as A.I.D. may otherwise agree in writing, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services, including ocean shipping and marine insurance, having both their source and origin in the United States of America.

SECTION 6.02. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 6.03. Goods and Services Not Financed Under Loan. Goods and services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 6.04. Implementation of Procurement Requirements. The definitions applicable to the eligibility requirements of Section 6.01, and 6.03 will set forth in detail in Implementation Letters.

SECTION 6.05. Plans, Specifications and Contracts

(a) Except as A.I.D. may otherwise agree in writing, the Borrower shall furnish to A.I.D., promptly upon preparation, all plans, specifications, construction schedules, bid documents and contracts relating to the Project, and specifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as A.I.D. may otherwise agree in writing, all of the plans, specifications and construction schedules furnished pursuant to sub-section (a) above shall be approved by A.I.D. in writing.

(c) As A.I.D. may require in writing, bid documents relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance. All plans, specifications and other documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.

SECTION 6.06. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.07. Shipping and Insurance

(a) Goods procured from the United States and financed under the Loan shall be transported to the country of the Borrower on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) At least fifty percent (50%) of the gross tonnage of all goods procured from the United States and financed under the Loan (computed separately for dry bulk carriers, dry cargo liners and tankers) which shall be transported on ocean vessels shall be transported on privately-owned United States-flag commercial vessels unless A.I.D. shall determine

that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. No such goods may be transported on any ocean vessel (or aircraft) (i) which A.I.D., in a notice to the Borrower, has designated as ineligible to carry A.I.D. financed goods or (ii) which has been chartered for the carriage of A.I.D. financed goods unless such charter has been approved by A.I.D.

(c) If in connection with the placement of marine insurance on shipments financed under United States Legislation authorizing assistance to other nations, the country of the Borrower, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, goods procured from the United States and financed under the Loan shall during the continuance of such discrimination be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) The Borrower shall insure, or cause to be insured, all goods procured in the United States and financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or

any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall be of United States source and origin and otherwise subject to the provisions of this Agreement.

SECTION 6.08 . Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

SECTION 6.09. United States Government-Owned Excess Property. The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement, such reconditioned United States Government-Owned Excess Property as may be consistent with the requirements of the Project and as may be available within a reasonable period of time. The Borrower shall seek assistance from A.I.D. and A.I.D. will assist the Borrower in ascertaining the availability of and in obtaining such Excess Property. A.I.D. will make arrangements for any necessary inspection of such property by the Borrower or its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such Excess Property, may be financed under the Loan. Prior to the procurement of any goods, other than Excess Property, financed under the Loan and after having sought such A.I.D. assistance, the Borrower shall indicate to A.I.D. in writing, on the basis of

information then available to it, either that such goods cannot be made available from reconditioned United States Government-Owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Project.

SECTION 6.10. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of United States aid, identify the Project site and mark goods financed under the Loan, as prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursements for United States Dollar Costs

Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of letters of credit or otherwise, for Dollar Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Implementation Letters.

SECTION 7.02. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

SECTION 7.03. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur, in the case of disbursements pursuant to Section 7.01, on the date on which A.I.D. makes a disbursement to the Borrower, to its designee, or to a banking institution pursuant to a Letter Commitment.

SECTION 7.04. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or amendment thereto shall be issued in response to requests received by A.I.D. after the date of two (2) years from this agreement, and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after the date of two and one-half (2-1/2) years from this agreement. A.I.D., at its option, may at any time or times after the date two and one-half (2-1/2) years from this agreement, reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01. Cancellation by the Borrower. The Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D. cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 8.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) The Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;
- (c) The Borrower shall have failed to pay when due any interest or any installment of principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies,

then A.I.D. may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately, and
- (ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursements. In the event that at any time:

- (a) An Event of Default has occurred;
- (b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement,
- (c) Any disbursement would be in violation of the legislation governing A.I.D., or
- (d) The Borrower shall have failed to pay when due any interest or any installment of principal or any other payment required under any other loan agreement, any guaranty agreement or any other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies.

then A.I.D. may, at its option:

- (i) Suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter,
- (ii) Decline to make disbursements other than under outstanding commitment documents,
- (iii) Decline to issue additional commitment documents, and
- (iv) At A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from

a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 8.03, if/cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06. Refunds.

(a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments

of Principal in the inverse order of their maturity. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform with specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify

SECTION 8.08. Non-Waiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers or remedies.

BEST AVAILABLE COPY

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document or other communication given, made or sent by the Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Loan Division
Treasury Department
Ministry of Finance
Kabul, Afghanistan

Cable Address: Ministry of Finance
Kabul, Afghanistan

TO A.I.D.:

Mail Address: U.S.A.I.D. Mission to Afghanistan
c/o American Embassy
Kabul, Afghanistan

Cable Address: U.S.A.I.D./Kabul
Kabul, Afghanistan

Borrower, in addition, shall provide the USAID Mission in the country of the Borrower with a copy of each communication sent to A.I.D. Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

BEST AVAILABLE COPY

SECTION 9.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented, respectively, by the individuals signing this Agreement or any persons holding or acting in the offices now held by such individuals. Such individuals shall have the authority to designate by written notice additional representatives. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 9.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 9.3. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, Borrower and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ROYAL GOVERNMENT OF AFGHANISTAN

By: _____

Title: _____

UNITED STATES OF AMERICA

By: _____

Title: _____

BEST AVAILABLE COPY

Annex V
AID-DLC/P-456
March 14, 1967

Loan Division
Treasury Department
Ministry of Finance
Kabul, Afghanistan

Subject: Helmand-Arghandab Valley Authority/
Helmand-Arghandab Construction Unit Loan
Implementation Letter No. 1

Dear Sirs:

This letter sets forth the procedures for utilizing the proceeds of the loan and provides information and guidance to assist you in implementing your project in conformity with the Loan Agreement. Nothing in this letter or its attachments should be construed as modifying the Agreement or any of its provisions herein referred to or explained. This letter and the attachments may be supplemented or modified by subsequent Implementation Letters as necessary, and to meet special situations that may arise.

I. PROJECT DESCRIPTION

The project consists of the rehabilitation of inoperable earth-moving, construction and related equipment; the procurement of new equipment, spare parts, materials and supplies; and the furnishing of technical, supervisory and training services over a two year period beginning in 1967 and ending in 1969. More specifically the project will include:

- (a) Providing advisory services and staff to the Helmand-Arghandab Valley Authority (HAVA) to enable HAVA to prepare final plans, designs and specifications for a land betterment program in the Helmand and Arghandab Valley of about 5,000 acres per year, to be based on feasibility studies and reports prepared by the U. S. Bureau of Reclamation (BuRec);
- (b) Equipping the Helmand-Arghandab Construction Unit (HACU) to carry out the construction work specified in the plans and specifications prepared as (a) above at a rate of about 5,000 acres per year; and
- (c) Providing advisory services and staff to HACU to help develop this organization into a viable agency capable of performing construction work needed for development of the Valley and to assist in carrying out that construction.

The most recent estimates of costs of the project are as follows:

(All Figures in 000)

Item	U. S.	Local Currency		Dollar ^{1/} Equivalent	Total Expressed in Dollars
		Afghanis	Pak.Rs.		
Equipment Rehabilitation	\$ 1495	7142	943	\$ 293	\$ 1788
New Equipment	1414	5408	686	216	1630
Materials & Supplies	<u>239</u>	<u>48536^{2/}</u>	<u>143</u>	<u>677</u>	<u>913</u>
Sub-totals	\$ 3148	61086	1772	\$ 1186	\$ 4334
Contingency (15%)	<u>475</u>	<u>9163</u>	<u>265</u>	<u>179</u>	<u>651</u>
Total - Capital Goods	\$ 3623	70249	2037	\$ 1365	\$ 4985
Personnel:					
Eighteen Americans	687	1899	2	26	713
Seven Americans (as required)	<u>270</u>	<u>738</u>	<u>1</u>	<u>10</u>	<u>280</u>
Twenty-five Americans	\$ 957	2637	3	\$ 36	\$ 993
Third Country Nationals(TCNs)	<u>1463^{3/}</u>	8473	1	120	226
Afghans	<u>-----</u>	<u>48018</u>	<u>---</u>	<u>640</u>	<u>640</u>
Total Personnel	\$ 1103	59128	4	\$ 796	\$ 1859
Grand Total	\$ 4726	129377	2041	\$ 2161	\$ 6844

1/ Afghanis 75 = \$1.00
Rupees 4.76 = \$1.00

2/ Includes the cost of cement, diesel oil, gasoline, and local construction materials which the Borrower will finance with its own resources.

3/ Dollar costs for TCNs to be financed from other than loan proceeds.

II. CONDITIONS PRECEDENT TO DISBURSEMENT

In accordance with the requirement of Article III of the Loan Agreement and prior to establishing the first letter of commitment or disbursement by other methods, you are requested to submit in form and substance satisfactory to AID:

A. Conditions Precedent to Initial Disbursement

1. Legal Opinion - Section 3.01(a).

The information to fulfill this Condition Precedent will be specified by AID.

2. Specimen Signatures - Section 3.01(b).

The authenticity of specimen signatures of the authorized representative of the Borrower may be certified to either by the person who renders the legal opinion or the person who executed the Agreement.

3. Implementation Plan - Section 3.01(c).

An implementation plan should be prepared by HAVA/HACU and approved by the BuRec team in Afghanistan. This plan should include, but not be limited to :

(a) HAVA - the work plans for its Engineering Division, plans and schedule for recruiting personnel (Americans, TCNs, and Afghans), and arrangements for recruitment,

(b) HACU - (1) revised lists of commodities to be procured including current costs estimates; (2) schedule for procurement and rehabilitation; (3) schedule for recruiting personnel (Americans, TCNs and Afghans) and arrangements for recruitment; and (4) work schedule for HACU.

4. Availability of Funds - Section 3.01(d).

The evidence submitted should assure satisfactory arrangements for the availability of funds other than those under this loan to finance the operations of HAVA and HACU as contemplated in this project. The evidence should include (a) a statement of the amount appropriated for the project for the current Afghan fiscal year and assurance of its adequacy to support all activities contemplated during the same year under this loan and (b) assurance by RGA that sufficient funds will be budgeted in subsequent fiscal years to carry out the project. A suggested format for submitting this evidence is indicated in Attachment A.

5. Relending Arrangements - Section 3.01(a).

The statement submitted should indicate the terms and conditions under which the proceeds of this loan will be loaned to HAVA and HACU.

6. Staffing Pattern and Training Program - Section 3.01(f).

The documents submitted should clearly describe:

(a) Staffing patterns for both HACU and the Engineering Division of HAVA listing positions, incumbents of significant positions, and types of personnel planned to fill positions (e.g. American, TCN or Afghan);

(b) Training plans for personnel assigned to both HACU the Engineering Division of HAVA including on-the-job training, training in the U.S. or third countries, etc.

7. Job Accounting System and Schedule of Charges - Section 3.01(g).

Evidence to satisfy this Condition Precedent should include:

(a) A statement or description of the HACU accounting system demonstrating that accounts are maintained on a "job basis";

(b) A schedule of charges by HACU which will permit HACU to fully recover its costs, including allocated indirect charges, on each job; and

(c) Assurances that adequate arrangements have been made by HACU to collect charges.

B. Conditions Precedent to Disbursements for Personal Services

In addition to fulfilling the conditions listed under paragraph II.A. above and prior to requesting disbursement or Letter(s) of Commitment for American personal services, the Borrower shall submit in form and substance satisfactory to AID:

1. Evidence that HACU and HACU have commenced employment of TCN employees to be financed by RGA, and that adequate funds are available for such employment.
2. Evidence that training plans and staffing patterns are being adhered to.
3. With respect to each individual American contract, (1) a description of the position to be filled, (2) a resume of the qualifications of the proposed candidate and (3) a copy of the contract.

With respect to TCN personal services the Borrower shall submit in form and substance satisfactory to AID a copy of each individual contract.

C. Conditions Precedent to Disbursement for Procurement of Goods

In addition to fulfilling the conditions listed under paragraph II A. above and prior to requesting disbursement or Letters of Commitment for the procurement of goods which AID will identify separately in writing, the Borrower shall submit in duplicate in form and substance satisfactory to AID.^{1/}

1. Synopsis to be published in Commerce Business Daily.
2. Invitation for Bids, to be approved by AID including (i) notice and instruction to bidders, (ii) bid form, (iii) proposed contract, and (iv) drawings and specifications.
3. HACU's bid tabulation and analysis and evaluation of bids.
4. Copy of the formal contract to be approved by AID.

With respect to procurement of goods not identified in writing by AID, the Borrower shall complete an "Abstract of Bid" (Form AID 11-83) and forward this in duplicate to USAID/Afghanistan to arrive within twenty days after the award of contract.

III. DISBURSEMENT PROCEDURES AND DOCUMENTATION

The procedures for requesting disbursement under the Letter of Commitment procedure and the documentation required by AID as a basis for disbursement of loan funds, pursuant to Section 7.01 of the Loan Agreement, are described in Attachment B. All requests for disbursement under the loan should be submitted to USAID/Afghanistan.

IV. PROCUREMENT

A. Small Business Notification. Information on procurement must be made available to AID so that it may be disseminated to interested U. S. suppliers, as required by Section 6.08 of the Loan Agreement. Procedures to be followed in complying with this requirement unless a specific waiver is granted by AID are described in Attachment C.

B. Eligible Sources of Procurement. In accordance with Section 6.01 of the Loan Agreement, all goods and services financed by the funds from this loan (including transportation and marine insurance) shall have both their source and origin in the United States. Further details, including definition of certain of the terms used in Section 6.01 are set forth in Attachment D.

^{1/} For guidance as to specific requirements, see AID Capital Projects Guidelines.

C. United States Government-Owned Excess Personal Property. U. S. Government-owned excess personal property is eligible for purchase under the loan and, in accordance with Section 6.09 of the Loan Agreement, will be utilized to the maximum extent consistent with the requirements of the project. Guidelines for utilization of such property are contained in Attachment E.

D. Limitation on Shipping Facilities. In accordance with Section 6.07 of the Loan Agreement, no goods may be financed by the loan which are shipped to the Borrower by an transportation medium owned, operated or under the control of a country not included in Code 935 of the AID Geographic Code Book as in effect at the time of shipment. Items otherwise eligible for financing under the AID loan will not be so financed if shipped on vessels named in Attachment F, which will be periodically updated by AID as required.

V. MARKING

In accordance with the provisions of Section 6.10 of the Loan Agreement, the Borrower shall assure publicity for the loan by the display of appropriate signs and the markings of goods financed under the loan. Instructions to assist you in complying with these requirements are contained in Attachment G.

VI. REPORTING

It is requested, in accordance with Section 4.11 of the Loan Agreement, that the Borrower furnish AID with the following reports:

A. Quarterly Progress Reports. A description of the information to be included in these reports is given in Attachment H. The first report covering the period from inception of the project through _____, should be delivered within thirty (30) days of the end of the reporting period to USAID/Afghanistan. Reports covering subsequent quarterly periods are to be delivered within thirty (30) days of the end of the reporting period and until the project is completed. The reports should be delivered in five (5) copies.

B. Quarterly Shipping Reports. These reports should be submitted in two (2) copies and should show, for each calendar quarter, the actual extent to which the requirement under Section 6.07 of the Loan Agreement is being met. This report should follow the form indicated in Attachment I. Each report should be supplemented by a covering summary statement, giving the cumulative actual figures beginning with the initial report through the month of latest report, for U. S. and non-U.S. flag vessels, by category of vessel, as applicable. If the summary report indicates a lag in complying with the provisions of Section 6.07 a statement should be included indicating how the deficit in shipping on U.S. flag vessels is to be made up. The Quarterly Shipping Report should be submitted within thirty (30)

calendar days of the end of the reporting quarter. The initial Shipping Report should be prepared for all shipments made through _____, and should be submitted by _____. All Quarterly Shipping Reports should be submitted directly to Resources Transportation Division, Agency for International Development, Washington, D. C., U.S.A., 20523.

C. Annual Certification. Annually, the Borrower should submit a certified statement of the amounts for the project appropriated for the current fiscal year, within thirty (30) days after the date of such appropriation.

D. Completion Report. AID will provide you with further information at the appropriate time concerning the form and content of the required final Completion Report for this project.

VII. COMMISSIONS AND FEES

Your attention is called to the requirements of Section 4.09 of the Loan Agreement. The RGA should promptly notify AID of any payment that it has made or has agreed to make to any person, firm, corporation, or other entity (except as regular compensation to full time officers and employees) as compensation for bonafide professional, technical, or other comparable services rendered in connection with obtaining the loan. Such notification should indicate to whom such commissions or fees have been or will be paid, the amount thereof, and for what services, and the regular place of business of the person or entity receiving the payment. This notification should be sent to the Agency for International Development, Washington, D. C., U.S.A., 20523, Attention: NESA/CDF.

A commission paid or to be paid to a bonafide agent of a supplier is eligible for financing under this loan only if the agent has made a direct and substantial contribution toward securing the sale of goods and services required for the Project, and the regular place of business of the agent and the services performed by the agent are in the United States of America. With respect to each and every payment of such commission, fee, retainer or other such payment, the following information shall be given: (a) name of payee, (b) address of payee, (c) ownership of payee, (d) service performed by payee and (e) amount.

VIII. CORRESPONDENCE

All correspondence regarding the loan and the reports required under Section 4.11 (but excluding Quarterly Shipping Reports) should be addressed to the U.S.A.I.D. Mission to Afghanistan, c/o American Embassy, Kabul, Afghanistan.

The A.I.D. will be glad to discuss with the Borrower any problems or questions you may have concerning the implementation of the loan, or relative to this letter or attachments to it.

Sincerely yours,

cc: H.E.M.H. Safi, General President, HAVA
H.E. Dr. A. H. Ziayee, Minister of Planning

ATTACHMENTS:

- A. Financing Plan
- B. Disbursement of Loan Funds-Letter of Commitment Procedure
- C. Borrower's Notice to U.S. Business Regarding Proposed Procurement of Goods
- D. A.I.D. Financed Procurement-Source/Origin Eligibility Requirements
- E. Guidelines for Utilization of Excess Personal Property Under A.I D. Development Loans
- F. List of Free World and Polish Flag Vessels Arriving in Cuba since January 1, 1963 and in North Vietnam since January 2, 1966
- G. Marking Requirements
- H. Progress Reports
- I. Quarterly Shipping Reports

FINANCING PLAN

Certified that arrangements have been or will be made as necessary to provide adequate amounts of both local currency and foreign exchange to complete the project, in addition to that provided by this loan.

Authorized Representative (i) RGA _____

Date _____

(ii) HAVA _____

Date _____

(iii) HACU _____

Date _____

DISBURSEMENT OF LOAN FUNDS
LETTER OF COMMITMENT PROCEDURE

Under A.I.D. loan agreement the borrower may request A.I.D. to issue the letters of commitment to banking institutions in the United States, designated by the borrower; as a basis for disbursing loan funds. The procedures to be followed by the borrower to obtain the issuance of letters of commitment and by suppliers to obtain payment pursuant to letters of credit or other orders for payment issued under the letter of commitment are as follows:

- A. Form and Content of Request for Letter of Commitment. Requests for the issuance of letters of commitment shall be submitted to A.I.D. in duplicate in the English language, shall set out the A.I.D., number of the loan, and shall contain the following:
1. The U.S. dollar amount of letter of commitment;
 2. The name of the U.S. banking institution to which the letter of commitment is to be issued;
 3. The name and address of the approved applicant (the borrower, or a person or organization, such as a bank in the borrower's country, authorized by the borrower to request the U.S. banking institution to open letters of credit or to make payment to suppliers by other means);
 4. The expiration date to be stated in the letter of commitment. In no case may this be later than the date specified in the loan agreement as the final date for submitting documentation to the U.S. banking institution as a basis for disbursements against the letter of commitment;
 5. An identification of the items to be financed under the letter of commitment. Equipment and materials shall be described by categories in commercial terminology or in terms of the A.I.D. three-digit commodity code, showing estimated quantities and dollar costs, whether costs include delivery to the borrower's country, and whether the borrower wishes to provide for any flexibility between individual category amounts within the total amount of the letter of commitment. In the case of services, three copies of the governing contract shall be submitted with the request for issuance.

- B. Notification of and Action After Issuance of Letter of Commitment.
Upon issuance of a letter of commitment, a copy will be sent to the borrower as notification of such issuance. After such notification, the borrower or its approved applicant may request the designated U.S. banking institution to open commercial letters of credit or to provide for payment to suppliers by other means. Each such request shall include the A.I.D. serial number of the loan and of the pertinent letter of commitment. The request, and instructions to U.S. banking institutions in connection therewith, may include any special directions, consistent with the terms of the letter of commitment, that the borrower may specify.
- C. Documentation for Payment. A.I.D. requires that claims by suppliers for payment pursuant to letters of credit or other orders for payment issued under an A.I.D. letter of commitment be supported by the following documents, except when waived in writing by A.I.D.
1. Costs of Goods, Including Costs of Freight and/or Marine Insurance Where Paid by the Supplier. (See paragraphs 3 and 4 below for documentation to support prepayments and progress payments under contracts.)
 - a. Voucher SF 1034. Original and three copies, normally prepared by the U.S. banking institutions.
 - b. Supplier's Detailed Invoice. One copy or photostat, showing quantity, description, gross sales price, net sales price (after deducting discounts and purchasing agents' commission), and basis of delivery (e.g. C&F, FAS) of the goods or details of the services. Such invoice shall be accompanied by a certificate from a banking institution indicating that payment has been made. Where the invoice covers goods shipped from a free port or bonded warehouse, it shall include an endorsement so indicating and designating also the country or area from which shipment was made to the free port or bonded warehouse. Where an invoice covering costs of freight and/or marine insurance is rendered separately (i.e., where these costs are not billed on the invoice covering the costs of the goods), an appropriate reference must be furnished to the voucher (SF 1034) and invoice under which the cost of the goods was paid.
 - c. Special Instructions Regarding the Payment of Commissions. Commissions payable to a bonafide agent of a supplier are eligible for financing by AID only if such agent:
 - (1) has performed services constituting a direct and substantial contribution toward securing the sale of a commodity or a commodity or a commodity-related service financed by AID hereunder;

- (2) has performed such services in the United States, and
- (3) Maintains a regular place of business in the United States.

In order to insure that commissions payable to sales agents not meeting the above criteria (hereinafter referred to as Foreign Sales Agents) are paid from other than AID funds the supplier shall comply with the following procedures in submitting documents.

The supplier's commercial invoice is to be made out for the gross value of the shipment (which amount is not to exceed the amount of the credit) and must either:

- (a) show a deduction of the amount of commission paid or to be paid to his foreign sales agent or
- (b) bear a signed certification by the supplier to the effect that no foreign sales agents' commissions are included in the invoice.

In the case of (a) the supplier shall receive payment from loan proceeds only for the net amount of the invoice after deduction of the amount of the commission and the Government of India will effect payment in local currency of the amount of commission deducted from the invoice to the agent of the supplier in India named therein. Payment shall be made within 15 days after receipt of supplier's invoice at the rate of exchange prevailing on the date payment is made to the supplier.

d. Geographic Source Provision.

Suppliers are required to certify (as part of the AID Form 281 Suppliers Certificate) that the commodities shipped hereunder are from source countries or areas included in the A.I.D. Geographic Code indicated in this authorization. (The term, "source", means the country from which a commodity is shipped to the cooperating country, or the cooperating country if the commodity is located therein at the time of purchase. Where however a commodity is shipped from a free port or bonded warehouse in the form in which received therein, "source" means the country from which the commodity was shipped to the free port or bonded warehouse.) In addition, the commodity must have been mined, grown, or produced through manufacturing, processing or assembly in an authorized source country (the A.I.D. Geographic Code number prescribed in the document authorizing procurement). Provided, however, that a produced commodity will not be eligible for A.I.D. financing, unless a specific exception has been made by A.I.D./W, if: (a) it contains any components acquired by the producer of the commodity in the form in which

imported into the country of production from free-world countries (A.I.D. Geographic Code 899) other than authorized source countries, at a total cost (delivered to point of production) that amounts to more than 10 percent of the lowest price (excluding the cost of ocean transportation and marine insurance) at which the supplier makes the commodity available for export sale (whether or not financed by A.I.D.), (b) it contains any components imported from countries not included in A.I.D. Geographic Code 899, or (c) it contains any components prohibited by Foreign Assets Control (FAC) or Cuban Assets Control (CAC) Regulations.

e. Evidence of Shipment.

- (1) Bill of Lading or Substitute. One copy or photostat of ocean or charter party bill of lading, airway bill, parcel post receipt, or other commercially acceptable documentation.
- (2) Bank Certificate for Shipments from United States. In the case of any commodity shipped from the United States and financed by A.I.D. under a letter of commitment to a U.S. banking institution, A.I.D. will accept in lieu of the documents referred to in d(1) above, a certificate from the banking institution to the effect that it has been informed by the approved applicant or supplier that the sale is on an FOB or FAS basis and it is impracticable to furnish an ocean or charter party bill of lading, airway bill, or parcel post receipt, and that either:

- (a) Shipment Document Sent by Bank. The banking institution has received a common carrier bill of lading, negotiable warehouse receipt, mate's receipt, master's receipt, dock receipt, or domestic parcel post receipt (if in non-negotiable form, showing that the goods have been consigned to or are being held for a person or organization designated by the approved applicant); it has delivered or sent the same, in accordance with instructions of the approved applicant, to a person or organization designated by the approved applicant; and it has in its possession a written undertaking of such person or organization (1) to arrange for ocean shipment and to deliver to the banking institution a copy (or photostate) of the ocean or charter party bill of lading, airway bill, or parcel post receipt for forwarding to A.I.D., or (2) if unable to arrange for ocean shipments within 90 days of the date of the undertaking, to so notify A.I.D., Washington, D.C., and at such time as A.I.D. may request, to deliver to the banking institution for forwarding to A.I.D., a common carrier bill of lading or warehouse receipt in negotiable form for the commodity; or
- (b) Shipment Document Held by Bank. The banking institution has received a common carrier bill of lading or warehouse receipt in negotiable form and is in possession of the same; it has been unable to deliver the same to a person or organization designated by the approved applicant against the written undertaking described in 2. (a) above, and it is holding the negotiable common carrier bill of lading or negotiable warehouse receipt subject to the instructions of A.I.D. and will forward same to A.I.D. when and if so instructed, except that if it becomes possible before any such instructions are received, it will proceed in accordance with 2.(a) above.
- (3) Banking Certificate for Shipments from Outside United States. In the case of commodities financed by A.I.D. under a letter of commitment to a U.S. banking institution and shipped to a borrower, by means other than ocean vessel or aircraft, from an authorized source country or other area other than the United States, in lieu of the documents referred to in subdivision d (1) of this subparagraph, A.I.D. will accept (1) a certification from the banking institution to the effect that it has been informed by the approved applicant or the supplier that it is impracticable to furnish any of the documents described in 2(a) above, and (2) such other documents evidencing shipment to or receipt by the borrower as are acceptable under good commercial practice (such as railway, barge, or truck bills of lading or importers' receipts).

e. A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract. The original and two copies of the A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract (Form AID-281) executed by the supplier, covering the following:

- (1) The cost of the commodity, including the cost of ocean freight and/or marine insurance (including war risk insurance) when such costs are paid by the supplier for his own or the buyer's account to be executed by the supplier of the commodity.
- (2) The cost of ocean freight, to be executed by the ocean carrier.
- (3) The cost of marine insurance (including war risk insurance) to be executed by the insurer, insurance broker, or underwriter.

f. Other Documentation. Such additional or substitute documentation as A.I.D. may require.

2. Costs of Services

a. Voucher SF 1034. Original and three copies, normally prepared by the U.S. banking institution.

b. Supplier's Detailed Invoice. One copy or photostate, describing the services performed and itemizing in detail the costs for which payment is invoiced (except in the case of lump-sum contracts in which case the invoice shall identify the covering contract and the section or paragraphs which provide for such payment and the terms of payment) setting out separately costs of travel, materials, and equipment, if any. Such invoice shall be accompanied by a certificate from a banking institution indicating that payment has been made.

c. Certificate of Performance. This must be executed by an authorized representative of the borrower, as follows:

The undersigned certifies that (1) the services for which reimbursement is requested have been satisfactorily rendered; (2) the cost thereof are properly reimbursable and the fees earned, in accordance with the terms of the contract; (3) any reports or recommendations required under the terms of the contract have been received and are in accordance with the terms of the loan agreement.

Signed _____

Date _____

Title _____

Authorized Representative

- d. A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract. The original and two copies of the A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract, (Form AID-281) executed by the supplier, covering the total amount for which reimbursement is requested.
 - c. Other Documentation. Such additional or substitute documentation as A.I.D. may require.
3. Prepayments and Progress Payments Under Contracts. Where prepayments and/or progress payments are required under a contract with a supplier (and such financing has been approved by A.I.D. in advance), the value thereof may be financed under a letter of commitment, subject to prior performance of such special provisions as may be required by A.I.D. Documentation to support disbursements covering prepayments and progress payments is as follows:
- a. Voucher SF 1034. Original and three copies, normally prepared by the U.S. banking institution.
 - b. Supplier's Detailed Invoice. One copy or photostate of the invoice, identifying the covering contract and showing (a) the total value of the contract (excluding escalation); (b) the total of amounts previously received and/or claimed as prepayment or progress payments, detailed by amounts and dates; and (c) the amount being invoiced for payment. Such invoice shall be accompanied by a certificate from a banking institution indicating that payment has been made.
 - c. A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract. The original and two copies of the A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract (AID Form 281), executed by the supplier, covering the total amount for which reimbursement is requested.
 - d. Works Progress Certificate. For progress payments, one copy of a Works Progress Certificate, signed by the supplier, in the following form attached to, or endorsed on, the invoice.

The undersigned certifies that (1) the amount expended for engineering services, labor, materials, and payments on account of commitments for materials and services supplied or to be supplied under contract /or order/ No. _____ are in excess of the total payments already received or claimed against this contract /or order/ including payments claimed under this invoice; (2) the value of said contract /or order/ excluding escalation is _____; (3) the undersigned is complying with the terms and conditions of the subject contract /or order/; (4) the commodity

is presently under the General License, or, if not, a validated export license has been issued by the Department of Commerce covering the commodity, and the undersigned has not received notice that it has been cancelled or terminated; and (5) the commodity is being specially manufactured or produced for the importer under the contract or order, does not conform to the undersigned's standard specifications for domestic or foreign sale, or if it does, is not of a type normally manufactured by or for the undersigned for inventory, and to the best of the undersigned's belief, would, in the event of nondelivery, neither be resalable nor convertible of resale at, or above, the contract price.

Signature _____

Date _____

Title _____
Authorized Representative

e. Other Documentation. Such additional or substitute documentation as A.I.D. may require.

4. Partial or Final Payments Where Prepayments or Progress Payments Have Been Made. Where prepayments or progress payments have been made under a contract financed out of A.I.D. loan funds, in addition to documentation as provided in Section I of this part, a certification, signed by the supplier, in the following form is required to be attached to or endorsed on the invoice.

The undersigned certifies that (1) the sales value of the equipment covered by this invoice, plus the value of equipment already delivered, plus the sales value of engineering services, labor, and purchased material for which expenditures have been made, plus the amount expended on account of commitments for equipment remaining to be supplied under the subject contract are not less than the total payments already received or claimed against this contract or order including payments claimed under this invoice, and (2) it is complying with the terms and conditions of the subject contract or order

Signature _____

Date _____

Title _____
(Authorized Representative)

5. Final Payment Where Amount Previously Withheld Under Contract. Where a contract financed out of A.I.D. loan funds authorizes final payment for goods upon acceptance by the purchaser, certification by the purchaser's engineer, or other comparable condition, documentation to support such final payment shall be as follows:

- a) Voucher SF 1034. Original and three copies normally prepared by the U.S. banking institution.
- b) Supplier's Detailed Invoice. One copy or photostat identifying the covering contract and showing (a) the total value of the contract (excluding escalation), (b) total of amounts previously received as payments under the contract, and (c) the amount invoiced for final payment. Such invoice shall be accompanied by a certificate from a banking institution indicating that payment has been made.
- c) Certificate of Acceptance. There shall be attached to or endorsed on the supplier's invoice a certification substantially as follows, executed by the borrower or its authorized representative.

The undersigned certifies that the machinery-equipment for which final payment is invoiced, meets in all respects the specifications prescribed in the covering contract, and the amount invoiced is properly due and payable to the supplier under the contract.

Signature _____

Date _____

Title _____

Authorized Representative

- d) A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract. The original and two copies of the A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract executed by the supplier, covering the total amount for which reimbursement is requested.
- e) Other Documentation. Such additional or substitute documentation as A.I.D. may require.

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

BORROWER'S NOTICE TO U.S. BUSINESS REGARDING
PROPOSED PROCUREMENT OF GOODS

Under AID procedures, purchasers of loan-financed goods may base procurement on informal solicitation of quotations or, at their option, undertake procurement on the basis of formal bids. However, all procurement financed under the particular AID loan is subject to the conditions in Section I below pursuant to the Loan Agreement. Borrowers are responsible for giving notice of these conditions to, and for assuring compliance by, the persons, firms or agencies whom they authorize to make purchases, to be financed with loan funds. These notification requirements may be waived only on the bases stipulated in Section II below.

I. Notification Requirements

1. Informal Solicitation of Quotations.

Any purchaser of goods to be financed under AID Loan Agreement (i.e., the Borrower or any person, firm or agency authorized by the Borrower to make purchases with Loan proceeds) shall, before placing or agreeing to place any order of more than \$5,000, furnish, in duplicate, by registered air mail to the Agency for International Development, Washington, D.C. 20523, Attention: MR/CSB, the following information:

- (1) AID Number and Date of Loan Agreement.
- (2) Name of Borrower.
- (3) Name and Address of Purchaser (if different from Borrower).
- (4) Description of proposed purchase, with specifications stated in terms of U.S. standards, giving sizes, quantities, basis of quotations (e.g., whether quotations are to be on FAS port of exit, C.&F., or other basis), etc., and indicating any special conditions applicable to the purchase. Where description does not include details needed by suppliers to prepare quotations, the purchase will indicate the address in the U.S. or abroad where such detail is available. The phrase "with specifications stated in terms of U.S. standards" means: expressed in terminology which is readily understandable by U.S. commercial trade and which will enable U.S. suppliers to submit quotations without further interpretation.
- (5) Quotations will be accepted until _____ (date)
- (6) Cabled quotations will () will not () be accepted. If yes, give cable address.
- (7) Shipment date, if set.

(Authorized Representative)

2. Formal Bid Invitations.

When the proposed procurement is undertaken on the basis of formal (sealed) bids, the purchaser, in lieu of furnishing the information described in numbered paragraph 1 shall transmit to the Agency for International Development, Attention: NESA/CDF, one copy, in the English language, of the complete invitation for bids. This shall include the specifications stated in terms of United States standards, the terms and conditions of procurement, the closing hour and date for bids, the applicable invitation number, and the address, preferably in the United States, where English language copies of the foregoing data may be obtained by prospective suppliers. Complete sets of these data will be available to American suppliers who request them at the designated address in sufficient numbers to meet the anticipated demand. The Borrower may charge all prospective bidders for the cost, plus postage, of tender documents, plans and specifications, and any other published material which may be needed by such bidders in order to prepare and offer their quotations, if such charges are in accordance with the usual practices of the Borrower.

3. Waiting Periods.

a) Minimum Requirement.

The information required under numbered paragraphs 1 and 2 above is to reach AID: (1) in the case of an informal solicitation at least 45 days before any order is placed; (2) in the case of formal bids at least 45 days before the closing date for receipt of bids. However, where the detail that may be required to enable U.S. suppliers to submit quotations or bids is to be obtained from abroad instead of being available in the U.S. for distribution, the waiting period shall be 60 days or such other period as the AID may accept, in response to a request from the Borrower for an adjustment in the waiting period.

b) Extension of Waiting Periods by AID.

In any case where the information as received by AID, does not fully meet the requirements set forth in numbered paragraphs 1 and 2 above, AID will request the Borrower to make appropriate revisions or additions. Under such circumstances, the waiting period shall run from the date AID receives the additional desired information. Similarly, AID may request the Borrower to increase the normal waiting periods where, because of the complexity of the items to be procured, interested suppliers would need more time to prepare and submit quotations or bids.

4. Information on Price Accepted and Abstracts of Offers and Bids.

The Borrower shall furnish to AID, upon request, with respect to any purchase of loan-financed goods, an abstract in the English language of all price quotations, offers, or bids received by the Borrower as the case may be. The borrower shall complete such bid abstracts as the loan agreement, letters of implementation or other related document shall specify, including Form AID 11-83 "Abstract of Bid", available from AID, identifying thereon the successful bidder, and noting any two or more identical bids or any evidence of suspected collusion. If the lowest bid has not been accepted because the bidder is not responsible, the borrower shall justify the award and shall append to the abstract a statement of reasons for rejecting all lower bids. The abstract and any justification statement shall be sent in triplicate to AID, to arrive within twenty days after the award of the contract.

II. Waiver of Notification Requirements.

Proprietary Waiver.

Upon written application by the importer, AID may reduce the 45 days waiting period, or waive this requirement in the case of procurement of proprietary items - i.e., items which are part of an existing plant or are required for the extension of an existing plant or machinery or items such as spare parts for which orders must be placed on the original suppliers for technical reasons. For this purpose, the importer may apply to the U.S. A.I.D. Mission, American Embassy, Kabul, Afghanistan while submitting the information required under paragraph 1 of Section I above. Such requests should contain full and detailed justification for the requested "waiver" and should be supported by documentary evidence wherever necessary. Every request should indicate the estimated dollar value, on a F.O.B. or F.A.S. basis, of the equipment for which the waiver is requested.

If the request for proprietary waiver is based on the need for standardization of the equipment, the request should include the following information:

- a) Number of identical units of equipment which the importer already possesses;
- b) Number of similar units of equipment which the importer already possesses;
- c) Number of employees trained to operate the equipment for which the waiver is requested;

- d) Extent of training of such employees; and
- e) Extent of availability of service and maintenance facilities in Kabul for the equipment for which the waiver is requested.

Upon consideration of the waiver request, the AID Industrial Resources Division will inform the importer directly whether the waiver has been granted or the waiver request denied and the notice to U.S. business published.

BEST AVAILABLE COPY

(9/12/66)

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

A.I.D. FINANCED PROCUREMENT
SOURCE/ORIGIN ELIGIBILITY REQUIREMENTS

A. Eligible Source of Contract Services:

The Loan requires that all services have their source in the United States. This means that the procurement of services financed in whole or in part under the loan shall be from the following firms:

1. United States firms
2. Non-United States firms which are at least 95% beneficially owned by a U.S. firm or U.S. firms and/or U.S. citizens, and which have their principal place of business in the United States or Afghanistan.

A business entity is deemed to be a United States firm if it:

1. Is incorporated or legally domiciled in the United States;
2. Has its principal place of business in the United States; and
3. Is more than 50% beneficially owned by a U.S. firm or firms and/or U.S. citizens.

Beneficial ownership of a firm is presumptively established by the bona fide certification of an appropriate officer thereof as to citizenship or domicile of the firm's owners. In the case of corporations, the corporate secretary certifies as to the beneficial ownership and presumed citizenship or domicile on the basis of a stockholder's record address, provided said secretary further certifies that he knows of no facts which might rebut the presumption regarding any stock-holder whose holdings are material to the corporation's qualifications hereunder.

B. Commodity Source/Origin Eligibility:

Under current A.I.D. policy, commodities must meet the source requirements prescribed in the documents authorizing their procurement (U.S. only, code 000 for most development loans) and comply with provisions contained in the Foreign Assets Control (FAC) Regulations and the Cuban Assets Control (CAC) Regulations to be eligible for A.I.D. financing. Unless specifically exempted by A.I.D., this means that for any commodity containing imported components:

1. Such components must have been imported into the source country from free world countries (A.I.D. Geographic Code 935) subject to the 10% limitation prescribed below; and
2. The FAC and CAC Regulations do not prohibit the importation of such components into the United States.

If a commodity includes any amount or value of components imported from countries not included in A.I.D. Geographic Code 935 or of components prohibited for importation into the U. S. by the FAC or CAC Regulations, the commodity is not eligible for A.I.D. financing.

The standard provision to be used for these purposes is quoted below:

"GEOGRAPHIC SOURCE PROVISION"

1. Suppliers are required to certify that the commodities shipped hereunder are from countries or areas included in the A.I.D. Geographic Code indicated in this authorization. "Source" means the country or area from which a commodity is shipped to the borrower country. Where, however, a commodity is shipped from a free port or bonded warehouse in the form in which received therein, "source" shall mean the country or area from which the commodity was shipped to the free port or bonded warehouse. In addition, the commodity must have been mined, grown, or produced through manufacturing, processing, or assembly in an authorized source country (the AID Geographic Code number prescribed in the document authorizing the procurement); Provided, however, that a produced commodity containing any components acquired by the producer in the form in which imported from free world countries (AID Geographic Code 935) other than authorized source countries, the total cost (delivered to the point of production) of which amounts to more than 10 per cent of the lowest price (excluding the cost of ocean transportation and marine insurance) at which the supplier makes the commodity available for export sale (whether or not financed by A.I.D.), and provided further that a produced commodity containing any components imported from ineligible countries (not covered by AID Geographic Code 935) or prohibited by Foreign Assets Control (FAC) or Cuban Assets Control (CAC) Regulations will not be eligible for financing without specific authorization from A.I.D./Washington.
2. The following certification on "source" must be attached to or endorsed on each invoice presented for payment and must be signed by the supplier or his authorized representative:

"I(We) hereby certify that the "source" (as defined by AID) of the commodities listed on the attached invoice or invoiced herein is as shown below and that such invoiced commodities were mined, grown or produced in a country or countries covered by AID Geographic Code 000 (insert the Geographic Code number specified by the importer).

"I(We) further certify that, to the best of my (our) information and belief, with respect to any produced commodity invoiced, the cost of components (delivered to point of production) imported from free world countries other than countries covered by AID Geographic Code 000 (insert the Geographic Code number specified by the importer) does not exceed in total cost 10 per cent of the lowest price (excluding the cost of ocean transportation and marine insurance) at which I(We) make the commodity available for export, and that the produced commodity does not contain any components imported from countries not eligible under Geographic Code 935 or prohibited by FAC or CAC Regulations.

"I(We) understand that a false certification made herein may be punishable by law.

Source of Commodities _____

Authorized Signature of Supplier _____

Title _____

Date _____ "

For convenient reference, A.I.D. Geographic Code 935 is defined as including all countries except the Union of Soviet Socialist Republics, Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania, Estonia, Latvia, Lithuania, Danzig, North Vietnam, North Korea, China (Mainland) and other Communist-controlled area, Outer Mongolia and Cuba.

Foreign Assets Control (FAC) and Cuban Assets Control (CAC) Regulations are promulgated by the U.S. Treasury Department, and include prohibition of imports into the U.S. of certain specified commodities from specified source/origin countries, largely those excluded from A.I.D. Geographic Code 935. Copies may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington, D. D. 20402, or are available for reference only at U.S.A.I.D. Missions or U.S. Embass in Kabul.

Variations from the 10% limitation on imported components may be authorized by A.I.D. when appropriate, as and when required to reflect the

general practice of American industry or for other justifiable reasons. When such variations are approved, documents authorizing procurement shall stipulate the appropriate percentage of components and other requirements in the case of commodities for which variations were approved and shall prescribe that the approved component percentage figure and/or other requirements shall be included in the letter of credit to the supplier or in the contract. Requests should be addressed to the Industrial Resources Division, Agency for International Development, Washington, D. C. 20523.

From time to time A.I D. in Washington will issue Small Business Memorandums to advise U. S. suppliers of special rulings on existing A.I D. source/origin requirements.

Guidelines for Utilization of Excess Personal
Property Under A.I.D. Development Loans

I. General Policies

A. A.I.D. - financed transfers of U.S. excess personal property may be authorized for use only in the public sector and not for military purposes.

B. A.I.D. - financed transfers of U.S. excess personal property shall be authorized only for use in A.I.D.-financed projects or for other specifically identified purposes, individually recommended and approved by the U.S. A.I.D. Mission.

C. It is the policy of A.I.D. that requirements for A.I.D.-financed transfers of U.S. excess personal property be satisfied to the maximum extent possible from the source of availability nearest the borrower. A.I.D.'s Office of Material Resources, Government Property Resources Division (MR/GPR) will be responsible for implementation of this policy, taking into account economies of transportation, delivery time, availability of property, possibility of conflict with other claimants and other factors necessary to insure the equitable redistribution of U.S. Government owned excess personal property contemplated by the Congress in the FAA 1961 and other legislation.

D. A.I.D. - financed transfers of excess property may be satisfied from:

- (1) Inventories of excess property marshalled by A.I.D. under Section 608.
- (2) Direct transfers from GSA, domestically, within U.S., or
- (3) Direct transfers from the owning agency in the area of foreign excess.

From any of these sources, A.I.D.-financed transfers have priority over proposals for transfers under Section 607.

II. To implement these policies, the following procedures will apply to acquisition of U.S. excess personal property by the Borrower.

A. In the case of commodity loans and appropriate project loans, Code 500 (domestic excess property) and Code 510 (foreign excess property) will be included as eligible for financing under these loans if so requested by the borrower. This eligibility will, as in the past, be subject to the condition that the specific commodities procured under the respective codes are related to the economic development needs of the country. The borrower would, as and when necessary for meeting the accessorial costs of U.S. Government Excess Property proposed to be acquired by the borrower and approved by the A.I.D./W (in accordance with paragraphs B through E below) reserve an amount of the loan proceeds for excess property acquisition and designate an authorized official (in some instances located at the recipient country's Embassy in Washington, D.C.) to authorize disbursement of funds under the loan for accessorial (including inland transportation) costs of excess property.

B. The borrower will prepare and submit, to the U.S.A.I.D. Mission lists of requirements which may be available from one of the above sources of U.S. Government excess property. Such lists must give adequately detailed specifications of each item requested and state the Ministry of the Government which has need for that particular item of equipment. Specifications must provide sufficient detail to permit rapid identification of the equipment by A.I.D./W from availability lists and the U.S. A.I.D. to ascertain, at the audit stage, that the equipment procured was in fact authorized.

C. The U.S. A.I.D. Mission will screen these lists and certify that each item remaining on the screened list represents a non-military bona fide economic development requirement of the borrower and the Ministry for which the equipment is destined. The original of this list will be sent to A.I.D./W and marked for the attention of the Office of Material Resources, Government Property Resources Division. A second copy of the list will be retained by the U.S. A.I.D. Mission. A third copy of the list will be returned to the borrower for transmission to the authorized recipient Government official responsible for acquisition of Excess Property. The covering airgram transmitting the original list of A.I.D./W should specify the period of validity for the U.S. A.I.D. certification of the list as being a bona fide requirement (normally six months).

D. A.I.D./W will screen known excess property availabilities (A.I.D. marshalling centers, foreign excess property availabilities, and domestic excess property availabilities under the control of GSA). If the property requested is available, A.I.D./W will determine from what source it is to be acquired and will place "freeze" requests to hold the property.

E. When requested items of equipment have been located, A.I.D./W will contact designated recipient government's official to make arrangements as are necessary for visual inspection of the equipment. This inspection is necessary to determine that the equipment which has been located is in fact the type of equipment requested by the borrower.

F. After the designated recipient government's officials has satisfied himself that the property located at AID/W meets the borrower's specifications, he will prepare a Form Letter Order (example, page 5 of this attachment) and submit it to A.I.D./W for countersignature. The document must be explicit with respect to degree of rehabilitation desired, the amount of expenditures authorized and must provide shipping and packing data. Rehabilitation, if required, may be authorized by the borrower at the time the property is located except in the case of property already rehabilitated by A.I.D. and located in the A.I.D. "608" marshalling centers. This property must be accepted in the form in which it was rehabilitated by A.I.D. If the borrower elects to rehabilitate the property after arrival in the recipient country the U.S. A.I.D. Mission will ascertain whether adequate rehabilitation has been performed and whether the equipment is being utilized.

G. Subsequent to receipt of the Form Letter Order, A.I.D./W will take such action as is necessary to acquire, rehabilitate, and ship the property in

accordance with instructions contained in the Form Letter Order. This document will serve as the basis for A.I.D. to authorize payment of accessorial (including inland transportation) costs from the loan and to charge the loan accordingly.

H. Shipping instructions in the Form Letter Order will normally call for shipment to a forwarding agent of the Government at a U.S. Port of exit. The recipient Government will make international shipping arrangements, complying with the 50/50 shipping provisions of the Loan Agreement. That portion of the transportation which is accomplished on U.S. flag vessels will be eligible for financing under the A.I.D. loan; either through the reimbursement procedure or under letters of commitment.

III. To summarize, responsibilities will be divided for specific aspects of this procedure as follows:

A. The Borrower will

- (1) Designate, as and when necessary, specific amounts required for the financing of accessorial costs of U.S. Government Excess Property.
- (2) Authorize a representative of the recipient Government to authorize payment of funds under the loan for acquisition of U.S. excess property.
- (3) Prepare and submit to A.I.D. lists of equipment needed in the recipient country by Ministries of the recipient Government for acquisition under the excess property program.

B. The representative of the recipient government in Washington will

- (1) Examine property to determine whether it is suited to the country's needs.
- (2) Prepare the necessary documents authorizing acquisition, rehabilitation, shipping and charging of accessorial costs to approved development loans.
- (3) Arrange for international shipping and assure that at least 50 percent of shipments will be made on U.S. flag bottoms.

C. The U.S.A.I.D. Mission in the recipient country will

- (1) Review the list of equipment requested by the borrower and certify that each item of equipment is a bona fide non-military requirement of the country's development program.
- (2) Audit the utilization of equipment after arrival in the recipient country. In the event the equipment is slated for rehabilitation subsequent to arrival in the recipient country, U.S.A.I.D. will also check to ascertain that rehabilitation was effected.

D. A.I.D./W will

- (1) Review all lists of requirements received from the U.S. A.I.D. Mission and locate the equipment requested by screening known availabilities of U.S. Government excess property and placing "freeze requests" for items requested by the borrower.
- (2) Contact the borrower's representative to arrange for visual inspection of the equipment.
- (3) Execute Form Letter Orders for the equipment in accordance with instructions contained thereon.
- (4) Make payment out of approved loans for accessorial costs as authorized by the Form Letter Order.

BEST AVAILABLE COPY

: 5:

Format to be prepared by Royal Government of Afghanistan official for placement of order to acquire an item of equipment for which a bona fide requirement has been established and which has been located and is available for acquisition by (fill in name of Borrower).

Agency for International Development
Washington, D. C. 20523
U.S.A.

Letter Order No. _____

Attention: Office of Material Resources

Dear Sir:

This is to advise you that the Royal Government of Afghanistan requests acquisition of the items listed below. We hereby authorize utilization of proceeds of Loan No. _____, dated _____ in the maximum amount of \$ _____ to finance accessorial and inland freight costs of the following items of excess U. S. Government personal property.

Description

Present Location

The above items of equipment have been certified as being a bona fide requirement of the Ministry of _____ by the Royal Government of Afghanistan and by the U.S.A.I.D. Mission, Kabul.

Rehabilitation, shipping and other special instructions for disposition of this equipment are indicated below:

(Signed)

Royal Government of Afghanistan

(Countersigned)

Loan Operations Officer
A.I.D./Washington

List of Free World and Polish Flag Vessels
Arriving in Cuba since January 1, 1963 and in
North Vietnam since January 24, 1966.

Pursuant to established United States Government policy, the below listed vessels are ineligible to carry United States Government financed cargoes from the United States:

Flag of Registry
Name of Ship

A. CUBA

British:

AMELIA (Now Maltese)
AMAZON RIVER (Now RIVER - Sold to Dutch breakers)
ANTARCTICA
ARCTIC OCEAN
ARDENODE (Now TYNLEE - Panamanian)
ARDGEM
ARDMORE (Now KALI ELPIS - British)
ARDPATRICK (Now HARINGHATA - Pakistani)
ARDROSSMORE
ARDROWAN
* ARDSIROD
ARDTARA
ARLINGTON COURT (Now SOUTHGATE - British)
ATHELCROWN (Tanker)
ATHELDUAL (Tanker)
ATHELNIGHT (Tanker)
ATHELMERE (Tanker)
ATHELMONARCH (Tanker)
ATHELSULTAN (Tanker) - Broken up
AVISFAITH
BAXTERGATE
CHEUNG CHAU
CHIPBEE (Sold for scrap)
COSMO TRADER (Trips to Cuba under ex-name IVY FAIR - British)
DAIREN (Now AGATE - Panamanian)
EAST BREEZE (Now PHOENICIAN DAWN - British)
EASTFORTUNE
ELICOS (Broken up)
*ARDSTAFFA (Trip to Cuba under ex-name INCHSTAFFA - British)

BEST AVAILABLE COPY

FORNENTOR
FORTUNE ENTERPRISE
FREE ENTERPRISE (Now Cypriot)
FREE MERCHANT (Now Cypriot)
GARTHDALE (Now JEB LEE - British)
GROSVENOR MARINER (Now RED SEA - British)
HAZELMOOR
HELENA
HEMISPHERE
* HO FUNG
INCHSTAFFA
INCHSTUART
IVY FAIR (Now COSMO TRADER - British - broken up)
JEB LEE (Trip to Cuba under ex-name, GARTHDALE - British)
JOLINITY
KALI ELIAS (Trips to Cuba under ex-name, ARDMORE - British)
KINROSS
LA HORTENSIA
LINKMOOR
LORADORE
MAGISTER
NANCY DEE
NEBULA
NEWDENE (Now FREE NAVIGATOR - Cypriot)
NEWFOREST (Now Cypriot)
NEWGATE
NEWGLADE
NEWGROVE (Now Cypriot)
NEWHEATH
NEWHILL
NEWLANE
NEWMEADOW (Now Cypriot)
NEWMOAT
NEWMOOR
OCEANTRAMP
OCEANTRAVEL
PEONY
PHOENICIAN DAWN (Previous Trips to Cuba under ex-name EAST BREEZE - British)
RED SEA (Trip to Cuba under ex-name, GROSVENOR MARINER - British)
REDBROOK (Now E. EVANGELIA - Greek)
RUTHY ANN
ST. ANTONIO (Now Maltese)
SANDSEND
SANTA GRANDA
SEA AMBER
*HUNTSVILLE
*HYPERION - (Trips to Cuba under ex-name ARDTARA - British)

SEA CORAL
SEA EMPRESS
SEASAGE
SHIENFOON
SHUN FUNG (wrecked)
SOGLIVE (Now Maltese)
SOUTHGATE (Previous trips to Cuba under ex-name ARLINGTON COURT - British)
SUVA BREEZE (Now CATHAY TRADER - Panamanian)
SWIFT RIVER (Now KALLITHEA - Cypriot)
TIMIOS STAVROS (Now Maltese Flag - Previous trips to Cuba - Greek)
VENICE
VERCHARMIAN
VERMONT
YUNGPUTARY
YUNGLUTATON
ZELA M.

BEST AVAILABLE COPY

Lebanese:

AIOSLOS II
AIS GIANNIS
AKIMAS (Now Cypriot)
AL AMIN (Now FORTUNE SEA - Panamanian)
ALASKA
ANTHAS
ANTONIS
ARES (Constructive total loss)
ARETI
ARISTEFS
ASLIR
ATHAMAS (Now Cypriot)
CARNATION (Sold Spanish Breakers)
CLAIRE
CRIS

M. MYRTIDIOTISSA (Aground, trips to Cuba under ex-name, KALLIOPI D. LWMOS -
Lebanese)

FREE TRADER (Now Cypriot)

GIANNIS
GIORGOS TSAKIROGLOU
GRANIKOS
ILENA
IOANNIS ASPIOTIS
KALLIOPI D. LEMOS (Now E. MYRTIDIOTISSA - Lebanese)
KATERINA
LEFTRIC

MANTRIC
MARIA DESPINA (Broken in Two)

PERSINIO
 PERSINIO (Sold German Ship Breakers)
 PERSINIO
 POUSSO
 NICTRIC
 NOLLE
 NOLLE (Lipson)
 NOLA (Now Greek)
 PANGOS
 PANGON
 RAZET (Broken up)
 RIZAN (Now SANCARLO - Panamanian)
 RIO
 ST. ANTHON (Broken up)
 ST. NICOLAS
 SAN SYRILLO

STEVO

BEST AVAILABLE COPY

TETRIC
 THEODOROS LEMOS
 TONY
 TOUL
 TROYA
 VASSILIKI
 VASTRIC
 VERGOLIVADA
 YAKILIAS

Greek.

ALIARTOS - (Trip to Cuba under ex-name LORADORE - British)
 AGIOS THEOPHON
 ANASTOS (Now Cypriot)
 ANGE
 ANKASSAS (Sold Hongkong Ship Breakers)
 AMERICANA
 ANAGION
 ANATOLI (Now SUNRISE - Cypriot)
 ANDROMICHI (Previous trips to Cuba under ex-name, PENELOPE - Greek)
 ANTONIA (Now AMFITHEA - Cypriot)
 APOLON
 ATHANASSIOS A.
 BARBARINO
 CALLIOMI MICHALOS
 EMBASSY (Broken up)
 E. EVANGELIA (Trips to Cuba under ex-name, REDBROOK - British)
 LEFTYCHIA

GLORIA (Now HELEN - Greek)
HELLEN (Previous trips to Cuba under ex-name, GLORIA - Greek)
IRENA
ISTROS II
KAPETIN KOSTIS (Broken up)
KYRA HARILLIA (Broken up)
MARIA THERESA (Now INGRID ANNE - South African)
MERIGO (Now AMFITRITI - Cypriot)
MEROUBIO (Now THALIE - Panamanian)
MASTRO-STELIOS II (Now WENDY H. - South African)
NICOLAOS F. (Previous trip to Cuba under ex-name, NICOLAOS FRANGISTAS - Greek)
NICOLAOS FRANGISTAS (Now NICOLAOS F. - Greek)
NIKOLIS M.
OLGA (Trips to Cuba - Lebanese)
PANTANASSA
PAXOI
PENELOPE (Now ANDROMACHI - Greek)
PRESVIA (Broken up)
REBESTOS
ROULA MARIA - Tanker
SEIRIOS (Broken up)
SOPHIA
STYLIANOS N. VLASSOPULOS (Now ANTONIA II - Cypriot)
TIMIOS STAVROS (Formerly British Flag - Now Maltese)
TINA
WESTERN TRADER

Polish:

BALTYK
BIALYSTOK
BYTOM
CHOPIN
CHORZOW
ENERGETYA
HUTA FLORIAN
HUTA LABEDY
HUTA OSTROWIEC
HUTA ZGODA
HUTNIK
KOPALNIA BOBRZEK
KOPALNIA CZLADZ
KOPALNIA MIECHOWICE
KOPALNIA SIEMIANOWICE
KOPALNIA WUJEK
PIAST
TRANSPORTOWIEC

BEST AVAILABLE COPY

Cypriots:

ACHE

ADALPHOS PETRAKIS

ADAMAS (Previous trips to Cuba - Lebanese)

ANASTOS (Previous trip to Cuba - Greek)

ANTON (Ship)

ARFILLI

ARFITHI (Previous trip to Cuba under ex-name, ANTONIA - Greek)

ARFITHI (Trip to Cuba under ex-name, MARIGO - Greek)

ARON

ANTONIA II (Trip to Cuba under ex-name, STYLIANOS N. VLASSOPULOS - Greek)

ARTEMIDA

*ATHANAS (Trips to Cuba - Lebanese)

EL TORO

FREE ENTERPRISE (Previous trips to Cuba - British)

FREE MERCHANT (Previous trips to Cuba - British)

FREE NAVIGATOR (Previous trips to Cuba under ex-name, NEWLENE - British)

FREE TRADER (Previous trips to Cuba - Lebanese)

KALITHEA (Previous trips to Cuba under ex-name, SWIFT RIVER - British)

NEWFOREST (Previous trips to Cuba - British)

NEW GROVE (Previous trips to Cuba - British and Haitian)

NEWMADOW (Previous trips to Cuba - British)

SUNRISE (Previous trips to Cuba under ex-name, ANATOLI - Greek)

*E.D. PAPALIOS

Italians:

ACHILLE

AGOSTINO BERTANI

ANDREA COSTA (Tanker - Broken up)

ASPRONTE (Broken up)

CARREMA

ELIA (Tanker)

GEREMIA (Previous trips to Cuba under ex-name, MARIASUSANNA - Italian)

GIUSEPPE GIULIETTI - (Tanker)

GRAZIELLA ZETA (Trips to Cuba under ex-name, MONTIRON - Italian)

MARIASUSANNA (Now GEREMIA - Italian)

MONTIRON (Now GRAZIELLA ZETA - Italian)

NAZERENO

NINO BIXIO

SAN FRANCESCO

SAN NICOLA (Tanker)

SANTA LUCIA

SOMALIA (Now CHINCHANG - Nationalist Chinese)

Yugoslavs:

BAR

BEST AVAILABLE COPY

CETINJE

DUGI (TOK
ROL.SIR
MOJROVAC
FLOD
PROPIHA
TREBISNJIC. (wrecked)

French:

ARSINOE (Tanker - sunk)
AVANCHES
CIRCE
ENEL
FOULMA
IRNGO
NELEL
NEVE (Now DRAME OUMAR - Guinean)
SEMANQUE (Tanker)

Moroccans:

ATLAS
BAROR. (Sunk)
MAGARECH
MAURITANIE
TOUBAIL

Maltese:

AMALIA (Previous trips to Cuba - British)
ISPAHAN
ST. ANTONIO (Broken up, previous trip to Cuba - British)
SOCLYVE (Previous trips to Cuba - British)
THEOS STAVROS (Previous trips to Cuba - British & Greek)

Finnish:

ATLAS
AUGUSTA PAULIN
BERNIA (Trip to Cuba under ex-name, AMFRED - SWEDISH)
BERGRETTE PAULIN
RAGNI PAULIN
SWORD (Tanker)

Netherlands:

MELKE
TEMPO

BEST AVAILABLE COPY

Norwegian:

OLLE BRITT

TINE (Now JEZREEL - Panamanian Flag - Wrecked)

Swedish:

ARFIELD (Now HARMON - Finnish)

MAGMAR (Now BALI MARINER - Panamanian)

Monaco:

SAINTE LIS

BEST AVAILABLE COPY

Guinean:

DRAME OUMAR (Trip to Cuba under ex-name, NEVE - French)

Haitian:

NEWGROVE (Now Cypriot)

Liberian:

TUNG YIH - (Trip to Cuba under ex-name ARISTEFS - Lebanese)

Nationalist Chinese:

CHENCHANG (Trip to Cuba under ex-name, SOMALIA - Italian)

Pakistani:

HARINDHATA (Trip to Cuba under ex-name, ARDPATRICK - British)

MAULABAKSH - (Trips to Cuba under ex-name PHOENICIAN DAWN & EAST BREEZE - British)

French:

AVRANCHOISE - (Trip to Cuba under ex-name AVRANCHES - French)

AGATE (Trips to Cuba under ex-name, DARLEN - British)

BALI MARINER (Trips to Cuba under ex-name, MAGMAR - Swedish)

CATHAY TRAILER (Trips to Cuba under ex-name, SUVA BREEZE - British)

FORTUNE SEA (Trips to Cuba under ex-name, AL AMIN - Lebanese)

JEZREEL (Trip to Cuba under ex-name, TINE - Norwegian - Wrecked)

SAN CARLO (Trip to Cuba under ex-name, RENNEKA - Lebanese - Broken up)

THALIE (Trip to Cuba under ex-name, MAROUDIO - Greek)

TYNLEE (Trip to Cuba under ex-name, ARLENODE - British)

WHITE DAISEY - (Trips to Cuba under ex-name ANACREON-Greek)

South African:

WENDY H. (Trip to Cuba under ex-name, MASTRO-STELIOS II - Greek)

INGRID ANNE (Trip to Cuba under ex-name, MARIA THERESA - Greek)

B. NORTH VIETNAM

British:

ARDGROOM
ARDROWAN
ARDTARA (Now HYPERION-British)
GREENFORD
HYPERION (Trip to North Vietnam under ex-name, ARDTARA - British)
ISABEL ERICA
MILFORD
SANTA GRANLA
SHIENFOON
SHIRLEY CHRISTINE

Cypriot:

ACME
AGENOR (Trips to North Vietnam - Greek)
ALKON (Trips to North Vietnam - Greek)
AMFITRITI
AMON
ANTONIA II

Greek:

AGENOR (Now Cypriot)
ALKON (Now Cypriot)

Maltese:

AMALIA

Polish:

ANDRZEJ STRUG
BENIOWSKI
DJAKARTA
GENERAL SIKORSKI
HANKA SAWICKA
HUGO KOLLATAJ
JAN MATEJKO
JOZEF CONRAD
KAPITAN KOSKO
KOCHANOWSKI
LELEWEL
MARCELI NOWOTKO
MARIAN BUCZEK
NORWID
STEFAN OKRZEJA
WIENIAWSKI
WLADYSLAW BRONIEWSKI

BEST AVAILABLE COPY

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

MARKING REQUIREMENTS

I. GOODS AND SHIPPING CONTAINERS

The following instructions are provided to aid the Borrower in complying with the provisions in the AID Loan Agreement that requires the marking of loan-financed goods and their shipping containers:

Except as otherwise provided below, all loan-financed goods (including machinery, equipment and materials) and their shipping containers will carry an emblem or other marking appropriately indicating the cooperation of the Government of the United States in furnishing assistance in the financing of the goods. Normally, these emblems or markers are affixed by the suppliers of the goods. Borrowers under AID loans are responsible for assuring that suppliers of loan-financed goods receive necessary instructions concerning AID marking requirements.

1. Type of Emblem or Marker

The requirements of the foregoing paragraph may be complied with by affixing a label, decalcomania, stencil, tag, metal plate, or by other means. The kind of emblem and size will depend on the type of commodity or shipping container and the nature of the surface to be marked, but in all cases must be large enough to be clearly visible at a reasonable distance. Emblems placed on goods must be substantially as durable as the trade mark or brand name affixed by the producer; emblems on shipping containers must be legible until they reach their destination. A list of firms that supply emblems satisfactory to the AID is attached hereto.

2. Exemptions and Waivers.

a. Exempted Goods. Materials shipped in bulk, and semi-finished products that are not packaged in any way are exempt from the above-prescribed marking requirements. If such materials or semi-finished products are shipped in containers of any kind, appropriate markers as described above shall be placed on or attached to the containers.

b. Waivers. Upon representation to the AID by the Borrower that strict compliance with the marking requirements, in their application to particular shipments or categories of goods, will result in undue hardship, disproportionate expense, delay in delivery of goods, or is otherwise impracticable, the AID will consider waiving the marking requirements as they apply to the particular shipment or category of goods, or may prescribe alternative means for complying with the requirements.

Attachment: As stated.

BEST AVAILABLE COPY

(1/12/67)

- Denney Tag Company Tags only, of tag board and tag cloth,
West Chester, Pennsylvania regular or wet strength, single or double
eyelet, on order.
- U.S. Tag & Ticket Co. Tags only, similar to above.
2217 Robb Street
Baltimore 18, Maryland
- Allied Decals, Inc. Decals, on order
20700 Miles Avenue
Cleveland 28, Ohio
- American Decalcomania Co. Decals of various types, applied by water,
15th & N.Y. Avenue, N.W., cement, heat, solvent, or pressure.
Washington 5, D.C.
4334 W. 5th Avenue, Chicago 24,
Ill.
- McCregor & Werner, Inc. Stocks aluminum foil emblems, labels,
1640 Connecticut Ave., N.W. decals, shipping tags, etc.
Washington 9, D.C.
- Dashew Business Machines, Inc. . . Alloyed aluminum tags and plates.
1145 Nineteenth St., N.W.
Washington 6, D.C.
- Kaumagraph Company Various heat transfer types for use on
Wilmington 99, Delaware cloth, metal or paper.
- Jackmeyer Label Corporation. . . . Various heat transfer types for use on
855 Avenue of the Americas cloth, metal or paper.
New York 1, New York
- Chase Bag Company. Bags: Burlap, cotton, heavy duty paper,
309 W. Jackson Blvd. multi-wall, open mesh, canvas, etc., any
Chicago 6, Illinois size, with emblem printed in required
colors.
- International Bag Company. Items similar to those in preceding
2841 Broadway listing.
New York 25, New York
- Robert Loewenstein. Items similar to those in preceding
601 West 110th Street listing.
New York 25, New York
- Ame Harris Neville Co. Items similar to those in preceding
2800 Seventeenth Street listing.
San Francisco 10, California

- Remis Bros. Bag Co. Items similar to those in preceding listing.
408 Pine Street
St. Louis 2, Missouri

- Fulton Bag & Cotton Mills Items similar to those in preceding listing.
Post Office Box 198
New Orleans 3, Louisiana

- Atlantic Bag Company. Items similar to those in preceding listing.
429 South Fifth Street
Brooklyn 11, New York

- Superior Bag & Burlap Co. Items similar to those in preceding listing.
258 Browning Street
Norfolk, Virginia

- Consolidated Bag Co. Items similar to those in preceding listing.
3435 Melvale Street
Philadelphia 34, Pennsylvania

- Max Katz Bag Company. Items similar to those in preceding listing.
312 S. New Jersey Street
Indianapolis 4, Indiana

- Cupples-Hessee Corporation. Tags on order.
4175 N. Kingshighway Blvd.
St. Louis 15, Missouri

- Morse Decals, Inc. Heavily pigmented, silk-screened, water-mount decals, on order.
1215 E. 15th Street, Los Angeles 21, Calif.
516-Fifth Ave., New York 18

- Elman Labels, Inc. Labels, tags and decals, on order.
1122 Vermont Avenue, N.W.
Washington 5, D.C.

- Aetna Decal. & Process Corp. Decals, on order.
1023 Clinton Street
Hoboken, New Jersey

- Angelus-Pacific Co. Decals only, on order.
712 Grandview Street
Los Angeles 5, California

- Decalcomania Mfg. Co. Stocks decalcomanias and scotchlite Reflective emblems.
10341 Venice Blvd.
Los Angeles 34, California

- Mark'Andy Inc. Perforated, pressure-sensitive tape in rolls, on order.
145 Grand Avenue
St. Louis 22, Missouri
- Milmar Lithograph Stocks small, ungummed, paper labels, others on order.
1151 Folsom Street
San Francisco 3, California
- United Decalcomania Co. Inc. Decals, tags, labels & shipping cards, on order only.
613 N. Milwaukee Avenue
Chicago 22, Illinois
- International Tag & Salesbook Co. Tags of various types and sizes.
Washington Building, Suite 422
Washington 5, D.C.
- Ever Ready Label Corporation. Labels, various types and sizes.
357 Cortlandt Street
Belleville 9, New Jersey
- Lehmann Printing & Litho Co. Labels only, on order.
300 Second Street
San Francisco, California
- Wecco Press. Labels (gummed or ungummed), on order.
785 Blake Avenue
Brooklyn 7, New York
- Abacrome Incorporated Emblem banners for ships, etc.
455 West 45th Street
New York 36, New York
- George J. Mayer Co., Inc. Metal emblems, on order only.
546 E. Market Street
Indianapolis, Indiana
- American Emblem Co., Inc. Metal emblems, on order only.
P.O. Box 116
Utica 1, New York
- J. Ashton Green & Assoc. Stocks labels, stickers, tags, etc.
P.C. Box 2381, Custom House
New Orleans, Louisiana
- Wolcotts. Stocks paper labels, various sizes.
214 S. Spring Street
Los Angeles 12, California
- Miller Dial & Name Plate Co. Will furnish metal foil emblems, or heavier.
4400 N. Temple City Blvd.
El Monte, California

Cleveland Metal Specialties Co. . . . Metal emblems, to order only.
1753 East 21st Street
Cleveland 14, Ohio

Lindgren-Turner Co. Vinyl and paper labels.
W. 902 Broadway
Spokane 1, Washington

Wetmore & Company. Stocks emblem in wide range of sizes and
1015 South Shepherd Drive forms: gummed labels, pressure-sensitive
Box 13026 scotchcal and scotchlite decals, tags,
Houston 19, Texas aluminum plates, foils.

The Hesik Co., Inc. Die Cast Chrome Nameplates; Etched Name-
2220 N. Merced Avenue plates; Pressure Sensitive Reflective
South Elmonte, California Vinyl; Watermount Decals, Pressure
Sensitive paper labels.

DOMINION OF CANADA

Customs & Commercial Printers. . . . Supplies paper labels from stock.
1101 Beaver Hall Hill
Montreal, Canada

II. SIGN AND EMBLEM DISPLAY

The following instructions are provided to aid the Borrower, in fulfilling the responsibility regarding the display of appropriate signs at the project site.

1. Types of Emblems or Signs

The Borrower will affix such emblems or place such signs at the project location as will appropriately indicate the cooperation of the Government of the United States in furnishing assistance for the project.

a. On Buildings and Structures. Normally, plates or plaques made of metal or other durable material are to be affixed to the structure, or a suitable emblem may be painted directly on the structure using good quality outdoor paint.

b. At Construction or Other Project Locations. Where signs other than those on buildings or structures are more appropriate or feasible,

they should be installed at conspicuous locations and should be large enough to be seen at a reasonable distance. They should be made of metal or other durable material, with design and lettering done in outdoor paint.

2. Erection and Maintenance of Signs.

The emblems or signs required to be affixed or erected on buildings and structures, or at project sites, shall be affixed as soon as construction has reached such a stage as will permit such action. The Borrower will make arrangements for the proper maintenance of all such signs and emblems.

3. Notification of AID.

After the appropriate signs have been affixed or erected the Borrower will promptly furnish AID with photographs of all such displays. Pictures of these signs after they are erected should be included in the Quarterly Progress Reports. AID also wishes to receive a brief statement as to the Borrower's arrangements for maintaining the signs or emblems.

The Borrower may find it useful to get indications as to official United States emblems and appropriate displays from the U.S.A.I.D. Mission, Kabul.

BEST AVAILABLE COPY

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

LIST OF U.S. SUPPLIERS OF OFFICIAL EMBLEM

The following firms have indicated that they stock the American Aid emblem in one form or another, or will produce it on order. The inclusion of these names on this list should in no way be interpreted as AID endorsement of the firms or their products. The list is not to be regarded as restrictive in any way since obviously similar items can be produced by additional firms which are not known to this agency. The names of such firms will, upon request, be added to subsequent lists. Commodity suppliers are responsible for obtaining and using emblems as visible and durable as the trade mark or company or brand name affixed by the producer of the commodity.

- J. M. Wright, Inc. Stocks emblem in wide range of sizes and forms: labels; decals; plastic shipping tags; stencils; pressure sensitive varnish coated labels; aluminum plates; emblem etched; colored enamels overlaid and baked.
30 N. LaSalle Street
Chicago 2, Illinois
2530 - 18th St., San Francisco 10
219 W. 7th St., Los Angeles 14
- Unz & Company, Inc. Stocks emblem in wide range of sizes and forms: labels; decals; tags; stencils; shipping cards; aluminum plates; emblem lithographed & baked varnished; emblem banners.
24 Beaver Street
New York 4, New York
- Capital Marking Company. Stocks emblem in wide range of sizes & forms: labels; decals; plastic shipping tags; stencils; pressure sensitive varnish coated labels; aluminum plates, emblem etched, colored enamels, overlaid and baked.
6022 Berkshire Drive
Washington 22, D.C.
- John Hughes Company Stocks in various sizes: Oil board stencils; adhesive tapes in rolls; hand duplicator, prints 2-color emblem at one application; labels.
6119 Chillum Place, N.E.
Washington 11, D.C.
- North Shore Nameplate, Inc. Pressure-sensitive waterproof tape die cut emblems on dispenser cards; pressure-sensitive etched anodized aluminum foil emblems; plastic tags.
Bank of Manhattan Building
Bayside 61, New York
- Algene Marking Equipment Co. Stocks hand stamping devices which apply emblem in 2 colors, and PA number, if desired, at one application.
232 Palisade Avenue
Carfield, New Jersey
- Harlson Lithographers, Inc. Stocks plastic tags and paper labels.
161 W. 26th Street
New York 1, New York

PROGRESS REPORTING REQUIREMENTS
FOR
HAVA/HACU Loan

In accordance with the Loan Agreement you are requested to adopt a reporting system which will provide information on physical and financial progress in carrying out your project. Reports on progress shall be submitted quarterly in five (5) copies in the English language and shall essentially follow the outline and include the data indicated below. The timing for the submission of these reports is specified in Implementation Letter No. 1.

The cover of the progress report should show the project title and number, name and organization of the responsible reporter, period of the report, and the consecutive number of the report (See Sample 1 attached). As a minimum requirement, progress reports must be capable of meaningfully reflecting, against predetermined plans and goals, the extent of tangible progress, the quality of performance, and the utilization of funds. The contents should be presented in an orderly and consistent manner and should provide a mechanism for the speedy identification and analysis of trouble areas to allow for expeditious corrective action when required.

I. QUARTERLY PROGRESS REPORT

Statistical, narrative, and visual sections should be included in the progress report. The following may be utilized as guidelines for the preparation of such sections.

A. Statistical

The fundamental requirement of all progress reports is a schedule against which actual progress can be measured. The schedule should include the major work items under each natural division of the project. The most suitable and convenient mechanisms for this purpose are:

1. A bar chart schedule on which the actual percentage of each major item can be plotted against that scheduled. (See Sample 2 attached);
2. A percentage of Progress Completion curve on which the actual percentage of project completion can be plotted against that scheduled. (Curve may be separate from, or superimposed upon the bar chart.) (See Sample 2 attached) In addition to the percentage of project completion, this curve indicates the rate of progress.

3. A Procurement Schedule, in tabular form, showing source of procurement and the required, promised and actual delivery dates for the major units of equipment and materials required for each item on the Progress Schedule. (See Sample 3 attached) Any changes in the procurement plan and estimated delivery schedule for the entire project should be indicated;
4. A tabulation of charges accrued to, and payments received by, foreign personnel (See Sample 4 attached.); and
5. A project personnel chart, in tabular form, (See Sample 5 attached.)

B. Narrative

Elaborate, as necessary, on the progress of the items included on the bar chart schedule. Report on any unusual circumstances adversely affecting the character and progress of the work or affecting the availability of funds to continue the activities including any modification in the estimated costs, changes in equipment lists, etc. Explain steps taken or planned to overcome these circumstances. Any substantial change of the schedules should be explained and revised schedules submitted as part of the report.

Describe the nature and extent as may be applicable of the:

1. Engineering work accomplished by HAVA during the reporting period, the work load, and proposed schedule of engineering design, as well as preparation of detailed drawings, specifications, bills of material, etc. State the percentages of completion of various work units prior to the reporting period, during the reporting period, and at the end of the reporting period;
2. Construction, installation, and erection work accomplished by the HACU during the reporting period, giving a word picture of progress and/or delays. List any contracts, subcontracts or units of work during the period showing the name of organization for which work is being done and a brief scope of the work; and
3. Training programs, how they are being conducted and the progress being made.

Executive time required for preparation of the narrative will not be considered as an acceptable excuse for delay in delivery of the progress report. That part of the narrative which cannot be completed within the delivery deadline should be dispatched separately as soon as possible thereafter.

C. Visual

Photographs: - The report shall include photographs with appropriate titles and dates noted thereon when such photographs are useful to supplement the text. Where possible, these photographs shall be taken from the same location as construction progresses so that there will be a pictorial history of the job showing the site before construction started, during construction, and after construction is completed. The photographs shall be good clear prints and are preferred in the 8" x 10" size, but if smaller they may be mounted on 8½" x 11" size paper and bound into the report.

Map or Maps: - Where construction or design work includes operation at various locations, maps should be included with the report, preferably 8½" x 11", showing the area and progress of the project and the various portions of the project in that area.

II. FINAL REPORT

The Final Report submitted to the Agency for International Development shall be in the English language. It shall ordinarily be prepared on 8½" x 11" sheets and bound with a suitable and inexpensive binder. The face of the binder shall show the country, project title and number, name of the responsible reporter and period of the report.

As a minimum requirement, the Final Report shall provide:

1. A history of the project from its beginning through to completion.
2. An explanation of each significant delay in completion and increase in costs or resultant reduction in planned accomplishment during implementation of the project, and;
3. A comparison of the estimated and actual completion dates and costs of the various elements of the project such as staffing procurements, rehabilitation and construction work undertaken.

The Final Report shall include the same statistical, narrative and visual sections included in the quarterly progress reports. The guidelines for their preparation are as follows:

A. Statistical

By means of the same statistical mechanisms which are used in the quarterly progress reports, this section shall provide comparison between the estimated and actual completion dates and costs of various elements of the project and show all significant changes which occurred in the schedule, costs, personnel, etc., during the life of the project.

B. Narrative

The narrative shall include description of, and the reason for, each significant delay in completion and/or increase in costs of the project and information of a general nature such as weather, labor conditions, etc., which had a bearing on the quantity, quality and schedule of the work.

Also, the narrative shall include a short history of the project from its beginning through to completion.

C. Visual

This section shall include photographs taken as the work progressed, with appropriate titles and dates noted thereon, so that there will be a pictorial history of the project from its beginning through to completion. The photographs shall be good clear prints and are preferred in the 8" x 10" size but if smaller they may be mounted on 8 $\frac{1}{2}$ " x 11" paper for binding in the report.

Maps, plot plans, etc. of work performed by the HACU and the HAVA Engineering Division during the period of financing under this loan should also be included, preferably 8 $\frac{1}{2}$ " x 11" in size.

Attachment

1. Sample of portions of the Progress Report (7 pages)

AFGHANISTAN

HAVA/HACU Loan

Loan Number _____

QUARTERLY PROGRESS REPORT NO. 3

for

October 1, 1968 - December 31, 1968

NAME OF REPORTER

(Borrower, or Participating Agency)

BEST AVAILABLE COPY

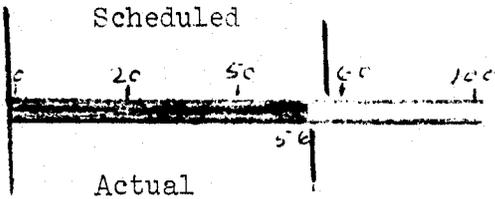
SAMPLE 2

PROGRESS: Schedule _____
Actual _____

PROGRESS SCHEDULE
QUARTER
OCTOBER 1, 1968 - DECEMBER 31, 1968
HAVA/HACU Loan

Submitted: _____ Date _____

Approved: _____ Date _____



(1) No.	(2) Item	(3) Weighted % of Project	(4) Item % Complete	(5) Project % Complete	1968												%
					J	A	S	O	N	D	J	F	M	A	M		
	Total	100	-	53.4	0	10	35	60	75	100	100	100	100	100	100	100	100
1	Personnel	30	50	15.0	0			20	40	60	100	100	100	100	100	100	80
2	Parts Procurement	21	50	10.5									100				70
3	Equipment Procurement	30	70	21.0			30	50	70	80	100						60
4	Rehabilitation	11	90	9.9			20	40	60	80	100						50
5	Construction Materials	6	80	4.8					40	60	80	100					40
6	Other	2	60	1.2							60	100					30
7																	20
8																	10
9																	0

(The items and amounts shown are for illustrative purpose only. The actual items should be selected for reporting convenience, in considerable detail. The period is shown as 11 months to save space in this hypothetical sample.)

INSTRUCTIONS - SAMPLE 2

The Progress Schedule, SAMPLE 2, includes a bar chart for scheduling and reporting progress on major items of the project and a percentage of project completion curve against which actual progress can be plotted. These may be provided on separate sheets if it will simplify preparation. A similar chart should be provided for each significant construction job undertaken by the HACU during the period of this loan.

Only major items shall be included (Column 2). These items may be sub-divided. The items should be numbered consecutively (Column 1) and listed in the same order in other sections of the report. The method used in calculating actual Weighted % of Project (Column 3) shall be clearly defined, approved by AID and borrower and used when calculating actual item % Complete. Items % (Column 4) is based on physical completion of that specific item. Project % (Column 5) is calculated by multiplying Columns 3 and 4. For each reporting period, the item % complete should be shown by shading of the corresponding bar. Project % complete (TOTAL of Column 5) should be plotted against ending date of reporting period.

Interpreting the Progress Schedule

The percentage of completion curve in sample 2 indicates that the project as whole is almost on schedule as of December 31, 1968. However, the bar chart indicates that work items 1, 4 & 5 are ahead of schedule and items 2 & 3 are behind schedule. One very important item, Parts Procurement is only 50% complete whereas schedule calls for 70% completion on December 31, 1968. Thus the bar chart provides for a mechanism for identifying a trouble area which may require corrective action. The narrative section of the progress report should include a statement as to the corrective action that has been taken or recommended.

BEST AVAILABLE COPY

SAMPLE 3

PROCUREMENT SCHEDULE

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Major Units Equipment & Materials	No. of Units	Scheduled Delivery at Bcst	Orders Placed	Promised Delivery	Date Shipped	Delivered to Site	Name of Supplier
	NEW EQUIPMENT							
1	Caterpillar D-8	3	6/12/68	2/15/68	6/15/68	5/9/68	8/15/68	
2	Caterpillar D-8	2						
3	Payloader	2	12/2/67	9/11/67	12/15/67	10/14/67	12/20/67	
4	Ditching Machine	1	12/2/67	9/28/67	12/1/67	11/1/67	1/10/68	
5	Concrete Mixer 165	1	2/12/68	1/28/67	8/31/67	12/1/67	2/13/68	
6	Concrete Mixer 125	2						
7	Tank Truck, Fuel	1	12/20/67	11/20/67	5/20/68	2/5/68	4/27/68	
8	Flat bed truck	2	12/2/67	9/5/67	12/15/67	4/20/67	1/26/67	
9	Flat bed truck	5	6/10/68	2/10/68	4/15/68	5/2/68	7/25/68	
	PARTS PROCUREMENT							
10	Caterpillar Engines	2	5/10/68	2/15/68	5/15/68	3/12/68	5/16/68	
11	Track sprockets, Caterpillar	10	5/10/68	2/15/68	5/15/68	3/12/68	5/16/68	
12								
13								
14								

Note: The above sample is hypothetical intended only to be illustrative of the required information.

INSTRUCTIONS - SAMPLE 3

The Procurement Schedule, SAMPLE 3, should be grouped on the identical breakdown used for the Progress Schedule. Major units of equipment and materials (Column 2) must be listed under the major elements of the project for which they are required.

The scheduled delivery at site (Column 4) is determined from the Progress Schedule.

The actual dates are to be entered in columns 4, 5, 6 and 7 as they occur during each reporting period. Estimated action dates in the future may be shown but should be clearly differentiated from the actual dates.

ACCRUED CHARGES
AND
PAYMENTS RECEIVED

Date

to AMERICAN PERSONNEL

	AID LOAN FUNDS		LOCAL CURRENCY FUNDS	
	ACCRUED CHARGES	PAYMENTS RECEIVED	ACCRUED CHARGES	PAYMENTS RECEIVED
PREVIOUS REPORT PERIOD				
TOTAL				

THIRD COUNTRY PERSONNEL

	RGA FOREIGN EXCHANGE FUNDS		LOCAL CURRENCY FUNDS	
	ACCRUED CHARGES	PAYMENTS RECEIVED	ACCRUED CHARGES	PAYMENTS RECEIVED
PREVIOUS REPORT PERIOD				
TOTAL				

PROJECT PERSONNEL

(As of the last day of the reporting period)

_____ date

	U. S.	THIRD COUNTRY	LOCAL	TOTAL
HAVA, Engineering Division				
HACU, Office and Administration				
HACU, Shop				
HACU, Construction				
HACU, Other				
TOTAL				

BEST AVAILABLE COPY

Quarterly Shipping Report
 TO: Agency for International Development
 Washington, D.C. 20523

Our progress in meeting our obligation under the Loan Agreement to ship on U.S. flag vessels at least fifty percent of the gross tonnage of loan financed goods transported on ocean vessels is as shown in the following tabulation.

2. Borrower	FOR A.I.D. USE
3. Loan Number	Attachment
4. Date Submitted	Implementation Letter
5. For Quarterly Period Ended (Date)	Date Received
	Date Copy to Trans.

Gross Tonnage		Freight Cost		Supplier Invoice Ref.	
Total Long Tons	U.S. Long Tons	= Total	U.S. Dollar Equiv.	Paid with Loan Funds	1. Number & Date 2. F.O.B. Value of Goods (U.S. Dollar Equivalent)

Signature	Title
1. Shipments from	
PART I - SUMMARY STATEMENT	
Cumulative Totals -	
Shipments in Previous Quarters.....	
Total -	
Shipments This Quarter.....	
Cumulative Totals Through This Quarter.....	

Total Long Tons	U.S. Long Tons	Vessels Percent of Total	= Total	Paid with Loan Funds	1. Number & Date 2. F.O.B. Value of Goods (U.S. Dollar Equivalent)

PART II - SHIPMENTS THIS QUARTER		
Vessel	Ports	Bill of Lading
1. Name Registry	1. Exit 2. Destination	1. Date 2. Description of cargo
(a)	(b)	(c)

(d)	(e)	(f)	(g)	(h)	(i)

Mail two copies of each statement to:
 Agency for International Development
 Bureau for Near East & South Asia
 Office of Capital Development and Finance
 Washington, D.C. 20523

If the tabulation requires more than one page, use continuation sheet(s).

AID-DC/P-156

ANNEX V
ATTACHMENT I